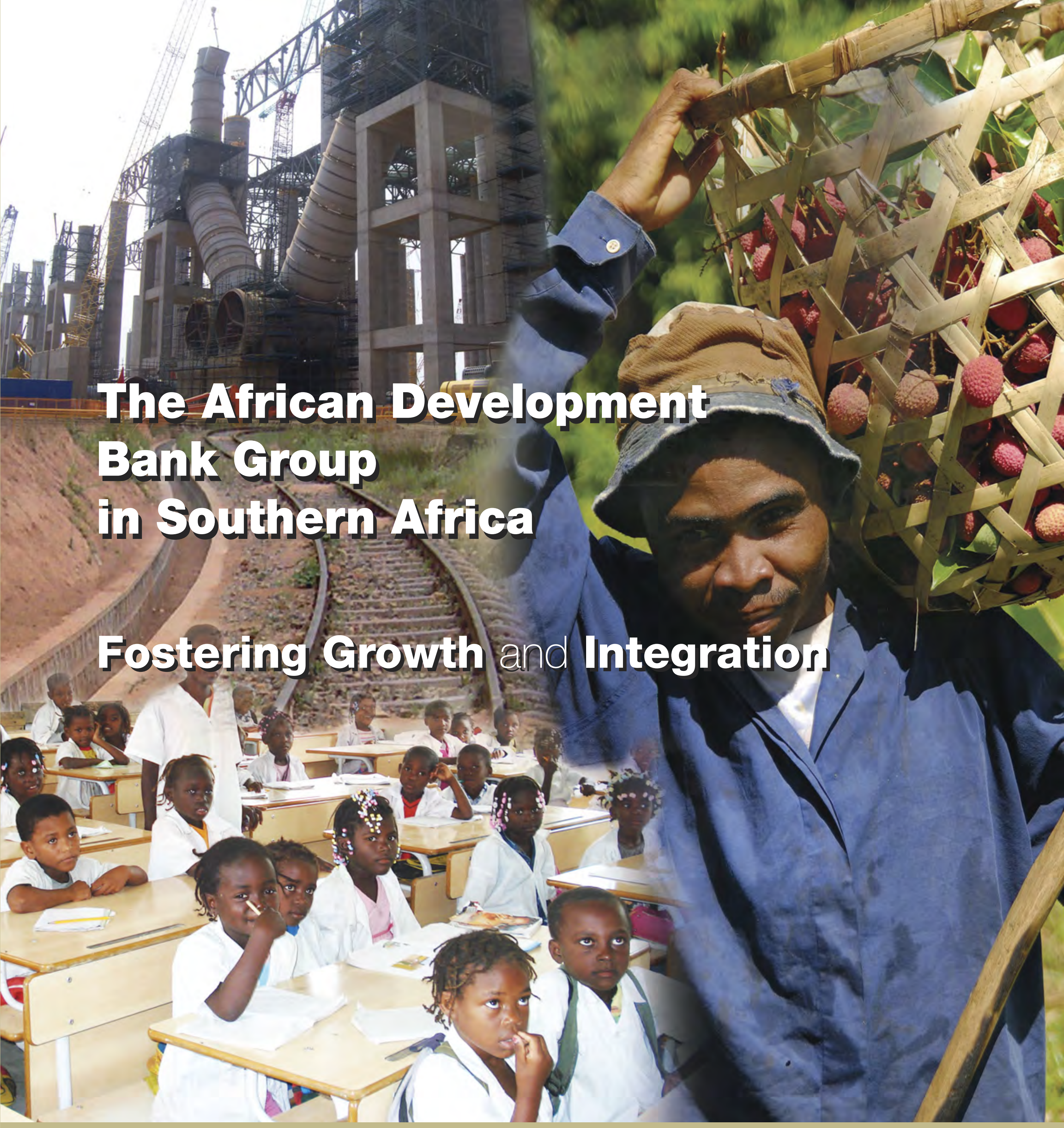


# The African Development Bank Group in Southern Africa

## Fostering Growth and Integration

African Development Bank Group

# The African Development Bank Group in Southern Africa

## **Fostering Growth** and **Integration**

# Table of Contents



# Foreword

We are pleased to present this regional publication which provides an overview of the African Development Bank's operations and partnership in Southern Africa.

The publication comes at a critical time for the region and the Bank. The aftermath of the global financial crisis threatened to set back, in less than a year, the economic gains so painfully made over the last decades. The crisis slashed the continent's growth rate from a healthy 6% to 2%, reduced export earnings, decreased Diaspora remittances and investment flows, and contracted the private sector. To ensure its regional member countries weathered the financial storm, the Bank intervened and helped shore up many economies by lending at record levels, including to Middle Income Countries.

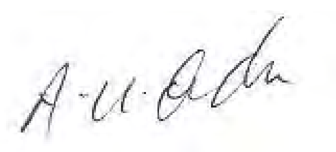
In addressing the impact of the crisis, the Bank utilized its resources more quickly than envisioned. In May 2010, a significant capital increase tripled the institution's resources to US$ 100 billion. This will allow us to sustain a higher level of lending, both to the public and private sector, and to respond expeditiously to demands from our diverse clients. The Bank and donors also agreed an ADF-12 replenishment of US$ 9.35 billion over the next three years (2011-2013). These resources will enable us to leverage additional funding from other partners (multilateral, bilateral, private sector) to finance public sector investments in Africa, focusing on infrastructure, governance, higher education, science and technology, regional integration and support to fragile states. Our ability to lend to both the public and private sector is a key part of the Bank's comparative advantage.

Southern African economies started to recover from the global financial crisis in 2009.This recovery is driven by a rebound in export demand, rising commodity prices and reforms and policies implemented prior to the financial crisis. However, profound challenges remain, including high levels of unemployment and a surge in public deficits and debt.

To meet these challenges, we have articulated our strategy in the Regional Integration Strategy Paper for Southern Africa recently approved by the Bank. It covers the period 2011-2015, and is the outcome of a consultative process with COMESA, SADC and EAC. A key focus of the strategy is regional economic cooperation and integration, and in particular, regional infrastructure. Our approach is to prioritize projects according to their stage of preparation and commitment of participating countries. The Bank is already working with COMESA and SADC on the North-South corridor, the Nacala Corridor and other similar initiatives, to which it has committed nearly US$ 1 billion. The corridors blend hard and soft infrastructure projects – reducing delays in border crossing and customs procedures, as well as rehabilitating and constructing transport links and port facilities.

To deepen our knowledge and capacity to provide policy and advisory services to our differentiated clients, the Bank recently completed the Zimbabwe Infrastructure Flagship Report. Additional analytical work and other studies have also been identified for the Southern African region, including a study on Alternative Energy Sources.

We look forward to continued collaboration with the Southern African region in the years ahead.



Aloysius Uche Ordu
Vice President for Operations I, Country and Regional Programs and Policy
African Development Bank (AfDB) Group

# Preface

This publication outlines the state of the African Development Bank (AfDB) Group's cooperation with Southern Africa. It highlights the mandates of our two regional departments, presents an exhaustive structure of AfDB operations and details its role in promoting economic and social development in the region. It also discusses new initiatives for AfDB interventions going forward.

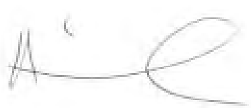
Southern Africa is a region of strategic importance, with five Middle Income Countries, a population of 160.5 million and a combined GDP of US$ 429.2 million. The region has the potential to drive, promote, and expand growth – both socially and economically – across the continent. The region also exhibits strong opportunities for regional integration and intra-regional trade which the Bank is nurturing to expand growth.

The AfDB has continuously strengthened its partnership with this group of countries. The AfDB's cumulative commitment to the region stands at UA 11.62 billion, representing almost a fifth of its historical loan and grant approvals to its regional member countries. Today, this relationship continues to grow. Our current portfolio and newly approved operations consists of 122 operations, with a total commitment value of UA 5.87 billion.

The Bank continues to seek out innovative approaches to development in the region through knowledge generation and capacity building. In this respect, it provides technical assistance and advisory services to Southern African countries through African Development Fund grants, the Technical Assistance Fund for Middle Income Countries, bilateral trust funds and infrastructure trust funds it manages.

The Bank Group has opened 7 country and regional offices in Southern Africa, bringing it closer to its clients and key economic actors. This has strengthened and deepened our dialogue with various stakeholders as well as improved the coordination of our activities with other development partners. Consequently, it has enhanced our responsiveness and flexibility to better assist these countries.

Indeed, the Bank has come a long way in its 46 years of existence. We believe this report will help to showcase the Bank's activities and contributions to Southern Africa and it will provide a shelf-ready product that will be shared with local and regional counterparts, clients and partners.



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# Acknowledgements

This publication was prepared by Timothy Wasswa (Consultant) under the supervision of Andrew Mwaba (then Lead Economist, ORSA) and Septime Martin (then Lead Economist, ORSB). Overall guidance was received from Abdirahman Beileh and Frank Black (erstwhile Directors ORSA and ORSB respectively); Ebrima Faal, Director, ORSA, and Chiji Ojukwu, Director, ORSB.

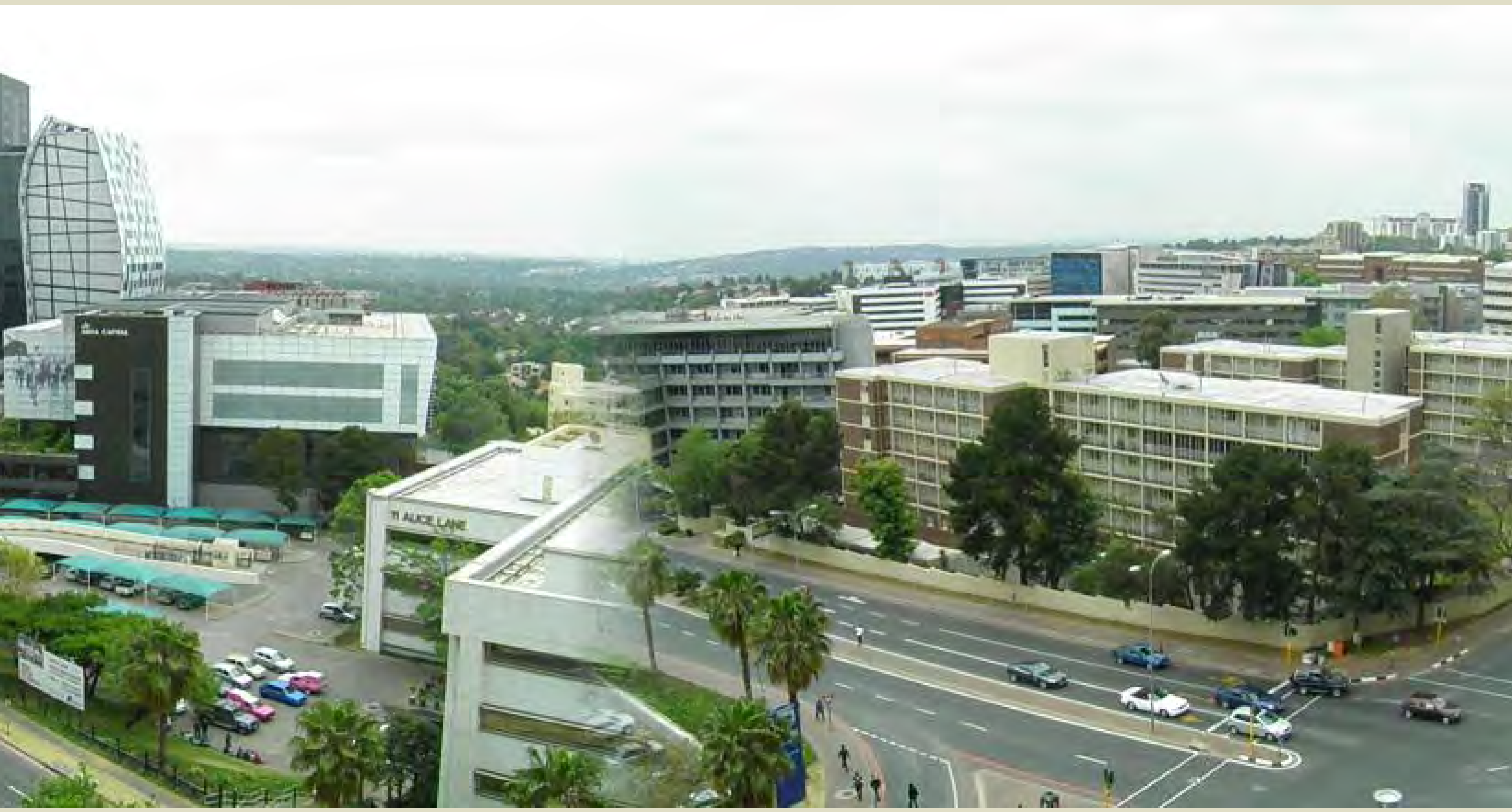
Valuable contributions, comments and critical remarks were provided by staff of different Sector and Regional Departments, External Relations and Communications Unit, Resident Representatives and staff in Field Offices in Angola, Madagascar, Malawi, Mozambique, South Africa, Zambia and Zimbabwe.

The following Bank staff also made valuable contributions in the preparation of the report: Damoni Kitabire, Walter Odhiambo, Eva Ruganzu, Martim De Faria E Maya, Nelvina Barreto Gomes, Themba Bhebhe, Martha Phiri, George Honde, Edirisa Nseera, Wilberforce Mariki, Wolassa Kumo, Bruno Boedts, Ashie Mukungu, Andre Almeida Santos, Melanie Xuereb-de-Frunele, Henrik Franklin, Helga Peres, Barbara Ramos, Edward Gondwe, and Imen Chorfi.

# Acronyms

| | |
|---|---|
| ADB | The African Development Bank |
| ADF | The African Development Fund |
| AFD | Agence Française de Développement |
| AfDB | African Development Bank Group |
| AIDS | Acquired Immune Deficiency Syndrome |
| ARVs | Anti Retro Viral therapy |
| AWF | African Water Facility |
| BBBEE | Broad Based Black Economic Empowerment |
| COMESA | Common Markets for Eastern and Southern Africa |
| CSP | Country Strategic Paper |
| CSPE | Competitiveness and Public Sector Efficiency Program |
| DBSA | Development Bank of Southern Africa |
| DFIs | Development Finance Institutions |
| EDSL | Economic Diversification Support Loan |
| ESW | Economic Sector Work |
| FAPA | Fund for African Private Sector Assistance |
| FSF | Fragile States Facility |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GoA | Government of Angola |
| GoB | Government of Botswana |
| GoL | Government of Lesotho |
| GoS | Kingdom of Swaziland |
| GRZ | Government of Zambia |
| GSA | Government of South Africa |
| GWh | Gigawatt Hour |
| HDI | United Nations Human Development Index |
| HIPCs | Highly Indebted Poor Countries |
| HIV | Human Immunodeficiency Virus |
| ITF | Individual Tenure Farms |
| KDDP | Komati Downstream Development Project |
| LICs | Low Income Countries |
| LoC | Line of Credit |
| LUSIP | Lower Usuthu Smallholder Irrigation Project |
| MDGs | Millennium Development Goals |
| MDRI | Multilateral Debt Relief Initiative |
| MICs | Middle Income Countries |
| MTS | Medium Term Strategy |
| MW | Megawatt |

| | |
|---|---|
| NEPAD | New Partnership for Africa's Development |
| NTF | The Nigeria Trust Fund |
| ORSA | Country Regional Department South I |
| ORSB | Country Regional Department South II |
| RASP | Regional Assistance Strategy Paper |
| RISP | Regional Integration Strategy Paper |
| RMCs | Regional Member Countries |
| SADC | Southern Africa Development Community |
| SBSA | Standard Bank of South Africa |
| SIDA | Swedish International Development Cooperation Agency |
| SMEs | Small and Medium Enterprises |
| SNL | Swazi Nation Land |
| SRF | Special Relief Fund |
| TA | Technical Assistance |
| TVET | Technical and Vocational Education and Training |
| UA | Unit of Accounts |



| African Development Bank Group: Fast Facts | |
|---|---|
| Constituent Institutions | The African Development Bank (ADB), The African Development Fund (ADF), The Nigeria Trust Fund (NTF) |
| Shareholders | 53 African Countries (Regional Member Countries) 24 Non-African Countries (Non-Regional Member Countries) |
| Mission | To contribute to the sustainable economic development and social progress of its regional members, individually and collectively |
| Established | 1964 |
| Commenced operations | 1967 |
| Headquarters | Abidjan, Côte d'Ivoire |
| Temporary Relocation Agency | Tunis, Tunisia |
| President | Donald Kaberuka |
| Total Employees in 2009 | 1,673 |
| Number of Field Offices | 27 |
| Authorized Capital as at December 31, 2009 | UA 22.12 billion |
| Subscribed Capital as at December 31, 2009 | UA 21.82 billion |
| Paid-up Capital as at December 31, 2009 | UA 2.36 billion |
| ADF-11 Replenishment (2008-2010) | UA 5.67 billion (US$ 8.9 billion) |
| Total Cumulative Approvals (1967-2009) | 3,662 loans and grants totalling UA 58.13 billion |

| As of October 2010 UA 1.00 is equivalent to | |
|---|---|
| **United States Dollar** | 1.56 |
| **European Euro** | 1.14 |
| **Angolan Kwanza** | 135.83 |
| **Botswana Pula** | 10.23 |
| **Lesotho Maloti** | 10.86 |
| **Madagascar Ariary** | 3,027.48 |
| **Malawian Kwacha** | 223.02 |
| **Mauritania Rupee** | 46.86 |
| **New Mozambique Metical** | 56.02 |
| **Namibian Dollar** | 10.86 |
| **Rand South Africa** | 10.86 |
| **Swaziland Lilangeni** | 10.86 |
| **Zambian Kwacha** | 7,366.78 |

# Chapter 1

## Introduction

# The African Development Bank Group at a Glance

The overarching objective of the African Development Bank (AfDB) Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction. The Bank Group achieves this objective by: (i) mobilizing and allocating resources for investment in its RMCs; and (ii) providing policy advice and technical assistance to support development efforts.

Established in 1964, the African Development Bank (AfDB)[1] Group is the premier source of multilateral financing for the African continent. Its mission is to help reduce poverty, improve living conditions, and mobilize resources for the economic and social development of the continent's 53 countries.

From 1967-2009, the Bank Group awarded its regional member countries a total of 3,662 loans and grants, amounting to UA 58.13 billion. These Bank Group projects have transformed infrastructure, connecting countries and crossing borders; increased the level and quality of education across Africa as well as planted the seeds and augmented the depth of the continent's growing financial sectors, enabling its countries to stand a chance to compete in an increasingly global community.

Bank Group achievements over the years have enhanced its image and generated renewed confidence in the institution, as demonstrated by the Triple-A rating from major international rating agencies. These ratings reflect the institution's strong shareholder support, preferred creditor status, sound capital adequacy, as well as prudent financial management and policies.

In its efforts to help reduce poverty across the continent, the Bank is currently operating in line with its 2008-2012 Medium Term Strategy (MTS), a strategic framework that provides guidance and sets direction for the Bank at a critical time for Africa. Focusing Bank Group efforts on infrastructure, private sector development, higher education, and governance, the MTS allows the Bank to respond to the continent's changing needs and circumstances. The Bank Group emphasizes operational selectivity in order to maximize its focus and effectiveness, while positioning itself to better contribute to regional integration and trade efforts. It also underscores assistance to low- and middle-income countries, fragile states as well as human development and agriculture. Knowledge generation, climate change, and gender are also being mainstreamed in its operations.

The AfDB assumed a leadership role in defining Africa's response to the global crisis, mobilising resources and providing fast-disbursing relief.

The Medium Term Strategy (MTS) has proved crucial. During the food and fuel crises that commenced in 2007, and the global financial meltdown, which adversely impacted the African economic landscape a year later, the MTS enhanced the Bank's capacity to deliver. Indeed, the Bank Group's MTS enabled it to respond swiftly to crisis-related needs by accelerating and restructuring ongoing programs; advancing the approval of new projects; and making greater use of fast-disbursing instruments.[2] At a moment when global credit was contracting at an unprecedented speed, the Bank established an Emergency Liquidity Facility, with a US$ 1.5 billion budget, as well as a US$ 1 billion Trade Finance Initiative to support trade finance efforts by African banks. In 2009 alone, Bank Group loan and grant approvals reached an unprecedented UA 8 billion (US$ 12.5 billion),

[1] The African Development Bank Group (AfDB or Bank Group) consists of three related, but financially independent institutions: the African Development Bank (ADB); the African Development Fund (ADF); and the Nigeria Trust Fund (NTF). Hereafter, references to the "Bank" refer to the Group at large.

[2] One example of such responses is the reallocation of resources from specific projects towards activities that could increase agricultural production in the short term (e.g., the purchase of fertilizer) during the food crisis, while improving rural infrastructure and increasing Nerica rice production in the long term, among other measures.

reflecting the institution's quick, effective, and efficient response – actions afforded by a strategy that will continue to work in favour of its operations in the long term.

## The Bank Group's Financial Base

The Bank operates through three related, but financially independent institutions: the African Development Bank (ADB), the African Development Fund (ADF), and the Nigeria Trust Fund (NTF).

The ADB is the institution's parent organization, comprising 77 member countries, including 53 regional, independent African countries, and 24 non-regional countries. Together, the Bank's 77 member countries subscribe to its authorized share capital, which, as of December 2009, stood at UA 22.12 billion.

The ADB provides financing to 16 of the institution's regional member countries (13 of which are middle income and three "Blend"). Through the ADB lending window, the Bank uses the capital provided by its shareholders as a basis for borrowing from financial markets, and then on-lends to eligible regional member countries. In essence, ADB funding helps middle income and blend countries to access critical development financing at competitive rates; financing which might otherwise not reach them.
For example, over the past 40 years, the ADB has:

- Provided lines of credit to South African financial institutions to support and strengthen their lending capacity in order to provide financing for infrastructure projects;
- Helped to provide agricultural development credit for roughly 12,000 men and women in rural parts of Egypt; and
- Added value and improved competitiveness: the Bank's loan to a Djiboutian cereals facility has improved turnaround time in the storing and processing of cereals, empowering local and indigenous companies, creating new business opportunities, and supporting regional integration efforts.

ADF funds, in turn, provide concessional loans and grants to finance projects and programs, as well as technical assistance for studies and capacity building activities in 40 low-income African countries – comprising nearly 80% of the continent's population. ADF loans are interest-free, repayable over a 40-year period, and carrying minimal service charges. Donor countries therefore replenish ADF funds every three years. ADF membership consists of the Bank's 53 African member countries and 24 non-African State Participants.

Through projects completed between 2006 and 2008, the ADF has, for example:

- **Built** more than 12,800 km of paved and feeder roads, giving more than 41.5 million people greater access to transport;
- **Rehabilitated** 3,600 wells, laying 230 km of pipes and building 15,900 latrines, providing an additional 1.7 million people with access to clean water and sanitation;
- **Built** 400 health centres, and trained 8,000 health workers, improving access for 13 million people to health services; and
- **Constructed** 11,500 classrooms/facilities to provide education for 11.2 million newly enrolled students.

The Nigeria Trust Fund (NTF), for its part, supports development projects for the Bank's poorest members. It also provides support to areas such as inter-African trade and financial services. Established in February 1976, the NTF is a special fund administered by the Bank on behalf of the Nigerian government and its resources and assets are not consolidated with those of the ADB or the ADF.

[3] For operational and analytical purposes, the AfDB Group classifies economies by their gross national income (GNI). Based on GNI per capita, countries are classified as low (2008 GNI US$975 or less) or middle income (2008 GNI US$ 976 or more). Middle income countries include: Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Seychelles, South Africa, Swaziland, and Tunisia. Blend countries, in turn, are those whose incomes qualify them for ADF funding (which is only accessible to low-income countries) and whose international credit worthiness qualifies them for ADB financing. These countries include: Cape Verde, Nigeria, and Zimbabwe.

[4] These include: Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, the United Kingdom and the United

The institution's regional member countries can also benefit from special sources of funding - including multi-donor thematic funds, bilateral trust funds, and co-financing agreements with AfDB development partners – which provide opportunities for technical assistance and capacity building.

Going forward, the Bank aims at becoming Africa's "Premier Knowledge Bank," cementing its role as a leading change agent for sustainable socio-economic development to the continent. Recognizing the importance of generating, mobilizing, sharing, and applying knowledge, the Bank is undergoing reforms to deepen its analytical capacity, build partnerships, and increasing collaborations with universities, think-tanks, and relevant external institutions. The Bank will also continue to enhance knowledge dissemination and sharing, and continually apply the knowledge it generates to strengthen its operational and development effectiveness.

# Strengthening Partnerships: Bank Group Decentralization and Structural Transformation

The African Development Bank (AfDB) Group is committed to serving its regional member countries and addressing their most pressing development challenges. For the Bank, such a vision requires the provision of timely, innovative, and effective services. It also requires the ability to adapt to changing national, regional and continental needs.

With this objective in mind, the Bank has undergone two comprehensive reforms – increased decentralization and fundamental organizational changes – to improve dialogue, be more strategic, and more responsive.

First, the Bank has worked to get closer to its clients through an ambitious decentralization program. In 1999, the AfDB, then operating only from its headquarters in Abidjan, Côte d'Ivoire, opened 3 field offices and one regional office on a pilot basis. Pilot offices were a strategy to establish a country presence, and served as extensions of the management structure at its headquarters. They supported project implementation; participated in country dialogue; and helped with project execution such as procurement and disbursement activities, or strategy preparation.

**Bank Group Regional Departments**

The Bank has divided the continent into 9 Regional Departments.

Two are responsible for operations in Southern Africa:

- ORSA (Botswana, Lesotho, Namibia, South Africa, Swaziland and Zimbabwe)
- ORSB (Angola, Madagascar, Malawi, Mauritius, Mozambique and Zambia)

Of the Bank Group's 27 field offices, 7 are located in Southern Africa: Angola (Luanda), Madagascar (Antananarivo), Malawi (Lilongwe), Mozambique (Maputo), South Africa (Pretoria), Zambia (Lusaka) and Zimbabwe (Harare).

Over the last decade, the AfDB has established field offices across the continent. Field offices have been extremely successful. They enable the Bank to tap into the pulse of a nation – to know more, do more, and be more effective. Such was the case that the Bank surpassed its initial goals, opening 27 field offices, including four regional offices over the last seven years.

Secondly, the Bank complemented its decentralization agenda with comprehensive organizational changes. Specifically, this entailed shifting from a purely sector-oriented approach to one that combined sector and country strategies. In this regard, 2006 saw the creation of nine Regional Departments[5] which operate from the institution's Temporary Relocation Agency in Tunis, Tunisia, in coordination with field offices. These departments are empowered to drive country strategies and translate them into concrete programs and outputs, under the guidance of multi-disciplinary country teams. They also benefit from a cadre of knowledgeable experts, including directors, country and lead economists, as well as country program officers who make critical input to the work being done. In essence, Regional Departments serve as guarantors that Bank operations reflect each country's subtle idiosyncrasies – and that development priorities are driven by what is needed, when it is needed.

Similarly, the Bank has heightened its sector approach to reinforce and augment high quality technical support, while promoting knowledge-sharing throughout the continent. In this respect, the Bank Group created two parallel vice-presidential complexes to deepen sector experience and improve project implementation.[6] In this regard, operations benefit from solutions generated by Bank Group activities throughout the continent. One conduit for the delivery of this support has been the assignment of sector specific staff in field offices that will provide targeted support to respective governments and Bank Group operations.

Bank reforms have led to a better, more tailored, and a more client-focused approach that benefits from sector experience gained in other countries. Through this process, Bank operations are driven by country strategy papers that reflect cogent sector needs, and are complemented through rich field office dialogue which benefits from daily interactions with governments, civil society and private sector organizations. Bank operations are now more strategic, responding to country needs in light of allocated resources.

These reforms will continue to be strengthened in the future. The Bank Group is planning to further define the roles of its headquarters and field offices to intensify their full integration; further tailor sector staffing to meet country specific circumstances; and ensure that lead responsibility for key assignments is provided when and where necessary. With a much strengthened presence on the ground, the Bank seeks to improve dialogue; enhance development effectiveness; and achieve measureable results.

[5] In addition to the creation of 9 Regional Departments, the Bank Group also created three parallel vice-presidential complexes to intensify country focus, deepen sector experience, and improve project implementation. These include: Country and Regional Programs and Policy; Sector Operations; and Infrastructure, Private Sector, and Regional Integration.

[6] Sector Operations Vice-Presidential Complex includes: agriculture & agro industry; human development; governance, economic & financial reforms; fragile states; gender, climate & sustainable development. The Infrastructure, Private Sector, and Regional Integration Vice-Presidential Complex comprises: infrastructure; private sector; water and sanitation; NEPAD, regional integration and trade).

# Chapter 2

## Regional Overview

# The Bank Group in Southern Africa

In accordance with the Bank's regional classification, the Southern African region covers 12 countries, namely: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

Together, the region has a population of 160.5 million people and a combined GDP of US$ 492.2 billion in 2009 current prices[7]. The region is therefore an important market which potentially offers opportunities for growth and poverty reduction for countries in the region.

## Bank Operations

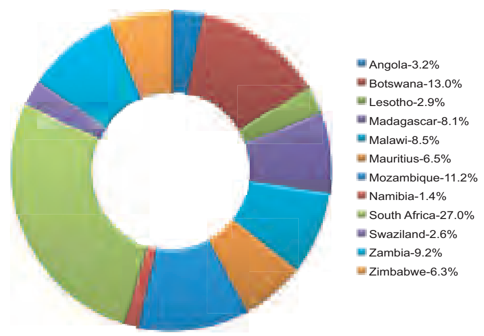
The Bank Group started operations in Southern Africa in 1969. From 1969-2010, the region was allocated cumulative Bank Group loans and grants estimated at UA 11.62 billion. South Africa received the largest share, followed by Botswana, Mozambique, Zambia, Malawi, Madagascar, Mauritius, Zimbabwe, Angola, Lesotho, Swaziland and Namibia.

Historically, Bank Group operations have, from 1969-2010, been dominated by the infrastructure sector (transport, communications, water and sanitation and power supply), (44.8%), followed by multi-sector operations (22.3%); finance (10.8%); agriculture (10.1%); social sector (6.6%); industry (4.5%) and the environment (0.8%).

**First Operations Commenced:**

- 1969: Malawi
- 1971: Zambia
- 1972: Swaziland
- 1973: Botswana
- 1974: Lesotho
- 1975: Mauritius
- 1977: Madagascar
- 1977: Mozambique
- 1982: Zimbabwe
- 1983: Angola
- 1991: Namibia
- 1997: South Africa

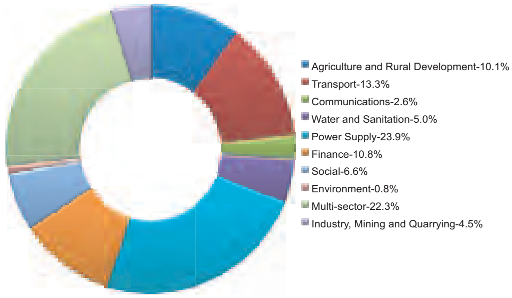
**Cumulative Bank Group Loans & Grants by Country in Southern Africa (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

[7] Including all SADC countries, that is, all Southern African countries as categorized by the Bank plus the Democratic Republic of Congo, Tanzania and Seychelles

**Cumulative Bank Group Loans & Grants by Sector in Southern Africa (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Southern Africa's Economic and Social Outlook

For most of the last decade, the Southern African region recorded rising real growth rates, falling inflation, improved fiscal balance, favorable terms of trade, declining debt levels, and low current account deficits. The declining trend of outstanding external debt over the last decade resulted from debt forgiveness through the Highly Indebted Poor Countries (HIPCs) initiative and the Multilateral Debt Relief Initiative (MDRI) as well as from sound fiscal management.

However, the recent global economic recession has caused damage to the region's economy due to a sharp drop in external demand and prices of mineral commodities on which many of the countries depend. Average regional real GDP growth rate collapsed to 1.41% in 2009, compared with 6.04% in 2007 prior to the recession. Countries that performed well in the past such as Angola, Botswana, Madagascar, Namibia, and South Africa recorded negative growth rates in 2009. Additional borrowing requirements to cushion the impact of the recession also reversed the declining trend in debt /GDP ratios.

A gradual recovery in the region is now emerging as the global economy recovers, driven by a rebound in export demand and rising commodity prices. However, profound challenges remain, including high unemployment levels, worsening poverty and inequality, and a surge in public deficits and debts. The economic crisis has therefore compromised the prospects of many of the countries to achieve the Millennium Development Goals (MDGs) by 2015.

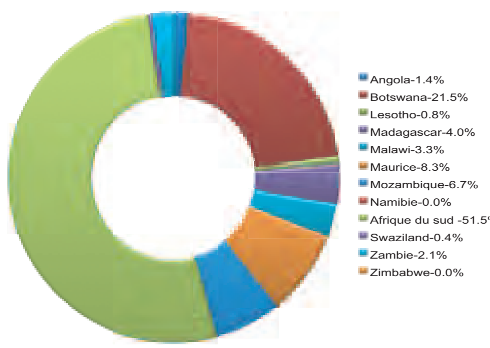
## Bank Group Operational Focus in Southern Africa

Bank Group operations in Southern Africa have evolved overtime to align the priorities of the respective countries to those of the Bank. AfDB interventions in the region are effectively informed by strategic analyses from Country Strategic Papers (CSPs) and the Regional Integration Strategy Paper (RISP) to help the Bank achieve its mission of poverty reduction and sustainable economic growth in its regional member countries.

The Bank's current operations are aimed at addressing Southern Africa's specific economic, social and regional needs. The Bank's current interventions are therefore rich and diverse, covering private sector operations, agricultural projects and programs, infrastructure projects, industry and mining projects, multi-sector operations, technical assistance and economic sector work.

The majority of the ongoing and newly approved operations went to South Africa (51.5%), followed by Botswana (21.5%), Mauritius (8.3%) and Mozambique (6.5%). The remaining operations were distributed among the rest of the region's countries . Some of the major current operations in Southern Africa include Medupe Power Project and Transnet Ltd Project in South Africa, Economic Diversification Support Program and the Morupule Project in Botswana; Competitiveness and Public Sector Efficiency Program for Mauritius; the Trunk Road Blantyre-Zomba Road in Malawi; Niassa Provincial Towns Water and Supply and Sanitation in Mozambique.

**Current Portfolio by Country in Southern Africa**




[8] With the exception of Zimbabwe which is currently under sanctions by the Bank Group

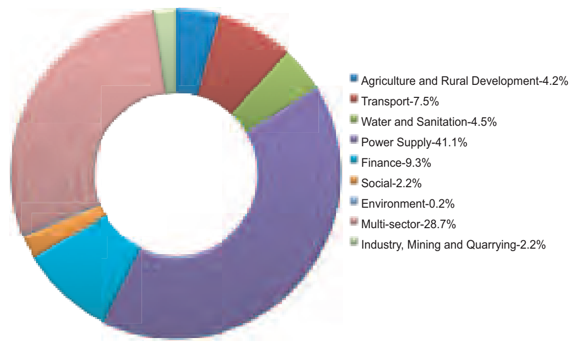
The sectoral distribution of the region's current operations indicates that the infrastructure sector - transport, water and sanitation and power supply - received the highest allocation, accounting for 53.1%, multi-sector operations accounted for 28.7%, the finance sector accounted for 9.3%, agriculture and the rural development sector accounted for 4.2%, industry 2.2%, the social sector 2.2% and the environment accounted for 0.2%.

At the regional level, the energy deficit, aged power plants, missing links and under-developed backbone transmission lines in Southern Africa are posing major infrastructural challenges. In support of efforts to mitigate power shortages in the region, the Bank has recently committed close to UA 2.24 billion to finance operations in the energy sector. This will ultimately reduce production costs, increase productivity, improve access to electricity and reduce poverty and unemployment.

Furthermore, the Bank Group is also currently co-financing the Nacala Road Corridor to provide improved road transportation linkage in the region. The project will reduce delays in border crossing and customs procedures as well as rehabilitate and construct transport links and port facilities, thereby promoting regional integration and trade. The project covers approximately 1,033km of roads in Zambia, Malawi and Mozambique and two border posts.

Reflecting the changing priorities and circumstances of its clients in Southern Africa, the AfDB has also approved multi-sector operations to support countries in the region which were affected by the recent global financial crisis and economic downturn. This has, in turn, enhanced the ability of countries like Mauritius and Botswana to sustainably finance their development programs.

**Current Portfolio by sector in Southern Africa**




The Bank Group also recognizes the benefits of regional cooperation and integration. It is currently supporting the creation of a fully integrated and internationally competitive region to ensure poverty reduction in Southern Africa. In sum, the Bank finances regional infrastructure development projects, supports the capacity building of COMESA and SADC secretariats, as well as the Tripartite Arrangement between COMESA, SADC and EAC to ensure that regional economic communities (RECs) are able to play a leadership role in the integration process. All these efforts are consistent with the Bank's 2009-2012 Regional Integration Strategy which lays emphasis on strengthening the capacity of regional economic communities.

## ADF broad achievements in Southern Africa

A total of 44 ADF operations exited the Bank's portfolio during the 2006-2009 fiscal years in the Southern African region. The total cost amounted to UA 1.22 billion, UA 487.60 million of which was ADF resources. The Bank Group has assessed their development outcomes by sector as shown below:

| | |
|---|---|
| **Power** | **3** |
| Length of transmission and distribution lines rehabilitated or installed (km) | 231 |
| Distribution sub-stations and transformers constructed or rehabilitated | 50 |
| Power capacity installed (MW) | 200 |
| Staff trained/recruited | 714 |
| People with a new electricity connection | 12,100 |
| Estimated population reached | 99,000 |
| **Transport** | **8** |
| Roads constructed, rehabilitated or maintained (km) | 512.05 |
| Feeder roads constructed or rehabilitated (km) | 1,964.53 |
| Additional facilities constructed (school, health centre, houses) | 168 |
| Staff trained | 457 |
| Job created | 132 |
| People with improved access to transport | 14,074,500 |
| **Water and Sanitation** | **7** |
| Wells drilled/rehabilitated and equipped | 1,0927 |
| Drinking water transmission and distribution pipes constructed (km) | 285.5 |
| Drinking water capacity created (service reservoirs m3/day) | 159,590 |
| Pumping stations and intake structures | 1531 |
| Latrines constructed or rehabilitated | 2,4031 |
| Number of workers trained | 553,364 |
| People with new or improved access to water and sanitation | 3,020,360 |
| **Education** | **4** |
| Classrooms constructed | 540 |
| Textbooks and teaching materials supplied | 377,000 |
| Water and latrine facilities constructed | 793 |
| Educational support facilities constructed or rehabilitated | 132 |
| Teachers trained | 19,516 |
| Newly enrolled students | 79,420 |
| **Entrepreneurship** | **4** |
| Micro-finance institutions established or reinforced | 19 |
| Population benefiting from the project | 33,850 |
| Teachers/stakeholders trained | 101,804 |
| **Health** | **5** |
| Primary, secondary and tertiary health centres constructed or rehabilitated | 172 |
| Health facilities equipped | 84 |
| Boreholes and wells drilled or rehabilitated and equipped | 14 |
| Health workers trained | 2,070 |
| People with access to better health services | 9,936,048 |
| **Agriculture** | **13** |
| Feeder roads constructed or rehabilitated | 994.34 |
| Rural marketing and production facilities constructed or rehabilitated | 442 |
| Land with improved water management developed or rehabilitated (ha) | 1,342 |
| Boreholes, wells and sanitation infrastructures constructed or rehabilitated | 220 |
| Land whose use has been improved: replanted, reforested, landscaped, etc. (ha) | 6498.5 |
| Heads of livestock provided/vaccinated | 56086 |
| Plants introduced (seedlings, trees, etc.) | 759111 |
| Social facilities established or rehabilitated (rural schools, health centres | 747 |
| Agricultural inputs provided: fertilizer, seeds, etc. (tons) | 74250 |
| Farmers using improved technology | 3764 |
| Farmers trained | 331310 |
| Other agricultural personnel trained | 314680 |
| Farmers reached | 94908 |
| Total population benefited | 709912 |

## Knowledge Bank

In addition to its lending operations, the Bank has been positioning itself as a key knowledge institution on the continent. It has built strategic partnerships to leverage knowledge resources, working closely with these institutions to generate knowledge that facilitates swift and evidence-based policy and operational decisions that have an impact on the continent's development. Particularly, the Bank's ability to lead and coordinate Africa's response to the recent global financial and economic crisis benefited significantly from the rigorous analysis and policy dialogue that drew on its established networks.

The Bank continues to consolidate and intensify this progress. In line with this, its Regional South Departments have set out to undertake economic sector work (ESW) and have identified studies for the Southern African region which will include the:

- Indian Ocean Flagship Study;
- Zimbabwe Infrastructure Flagship Study; and
- Comparative Cost Analysis of Alternative Energy Sources Flagship Study aimed at informing policy dialogue on clean and climate-friendly energy sources.

To ensure effective knowledge-sharing, the Bank plans to establish knowledge networks and platforms to share experiences and best practices within the context of its Capacity Building Strategic Framework for regional integration institutions.

In terms of current commitments, the AfDB portfolio of technical assistance and economic and sector work comprises 33[9] operations, with a total value of about UA 21.38 million.

[8] Excluding Zimbabwe

# Chapter 3

## Country Focus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# Angola

| | |
|---|---|
| Membership year | 1980 |
| Start of lending operations | 1983 |
| Number of Bank Group operations approved from 1967-2010 | 34 |
| Number of ADB operations approved from 1974-2010 | 10 |
| Number of ADF operations approved from 1976-2010 | 24 |
| Cumulative Bank Group approvals in UA million from 1967-2010 | 396.34 |
| Subscribed capital (%) as of December 31, 2010 | 1.165 |
| Total voting power (%) as of December 31, 2010 | 1.169 |
| Number of on-going operations | 8 |
| Total loan amount of on-going operations in UA million | 74.01 |

# Presenting the Republic of Angola

The Republic of Angola is bordered by Namibia to the south, the Democratic Republic of the Congo to the north, and Zambia to the east. The country's west coast is on the Atlantic Ocean with Luanda as its capital city. Angola is the largest oil producer in sub-Saharan Africa. The country's growth is therefore closely linked to international oil prices. In 2009, the country suffered the full impact of the drop in oil prices caused by the global financial crisis, and this strongly affected government revenues and public investment. The decline in oil prices caused growth to fall from 13.2% in 2008 to -0.6% in 2009. However, a fast recovery of oil prices through 2009 helped return the country to a strong 7.4% GDP growth projected in 2010.

Non-oil production has slowly been gaining importance in Angola's economy. According to official estimates, the non-oil sector is expected to grow about twice as fast as the oil sector through 2011 with 8.8% growth predicted for 2010. But the oil sector still dominates the economy, accounting for over 80% of the country's total foreign earnings.

Angola is the fifth world largest producer of diamonds by value, supplying 7-9% of the global diamond output. The country is endowed with large diamond reserves, principally in the provinces of Lunda Norte and Lunda Sul. However, in 2009, Angola's diamond industry was hit hard by the financial meltdown, with a low global demand causing a sharp drop in prices which resulted in a substantial slowdown in diamond production and loss of employment in the sector. Official estimates for Angola's diamond industry predicted a contraction of 8.9% in 2010.

Agriculture plays a major role and accounts for half of total employment in Angola, but it only contributes 6.8% of GDP. Furthermore, Angola's 2010-2011 national plan indicated that the agricultural, fishing and forestry sector increased by 29.1% in 2009 and was projected to increase by 10.7% in 2010.

In the social context, the education ministry reported that primary education enrolment was set to grow by 5.6% between 2010 and 2011. The government's goal is to have 90% of children completing primary education by 2015. For tertiary education, in 2008, there were 70,000 students enrolled in universities, 80% of that figure being in public universities.

There has been progress with regard to fighting malaria, tuberculosis and cholera. Official estimates indicate malaria, tuberculosis and cholera cases fell by 5.8%, 17.5% and 42.7%, respectively. HIV/AIDS prevalence also remains low at only 3%.

Statement by Mr. Septime Martin

# Angola Country Office Resident Representative

After 27 years of conflict that ended in 2002, Angola has gone through a period of political stability and social rest which has set a ground for an economic boom fuelled by an increased oil production. In this new context the Government of Angola has started the rehabilitation of the country's physical infrastructure and the diversification of the economy with the support of bilateral and multilateral development partners.

In 2009, Donald Kaberuka, the President of African Development Bank visited Angola which marked a new era of cooperation with the Bank characterized by more visibility and confidence. In the past, due to the civil war, the Bank suspended its operations in 1989 and resumed in 2001. Since then 8 operations amounting to approximately UA 74 million were approved and are on-going. The distribution of the portfolio by sector is as follows: Agriculture/Fisheries and Rural Development (49%), Social, including Health and Education (27%), Water and Sanitation (16%), and Multisector (8%).

In face of Angola's transition and due to the Bank's commitment to support the rehabilitation process of the country, the African Development Bank has prepared a strategic approach for the next 5 years. The new Country Strategy Paper (2011 - 2015) marks the culmination of an 18-month dialogue with a strong emphasis on ownership, making full use of available country strategic programs and project pipelines. The strategy focuses on two pillars: (i) stimulating the competitiveness of the economy; and (ii) support to the economic infrastructure.

The Bank will assist the country to work towards reducing and diversifying economic dependence on the oil and gas sector by invigorating and expanding the non-oil private sector across the spectrum of economic activities. During the implementation phase of the CSP, emphasis will be given to the advisory role of the Bank and greater national ownership. The tools of engagement will be redesigned so to adapt to the country specificities. Private sector development, capacity building and governance, physical infrastructure rehabilitation and maintenance are the strategic areas of Bank's interventions.

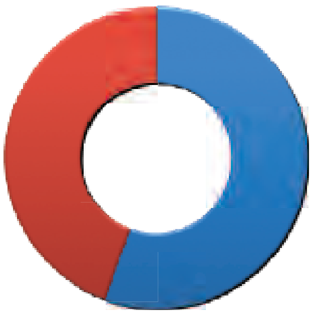
Two major factors will help implement successfully this strategy and improve the relationship between the Bank and Angola: (i) the effectiveness of the Bank's field office since the approval of the HCA by the Angolan Council of Ministers in November 2010; and (ii) the expected reclassification of Angola to Category C and its access to ADB resources;

Finally, the cooperation between the Bank and Angola is crossing a new and exciting period which will be guided by a continuous dialogue and mutual confidence.

# Overview of Bank Group Operations in Angola

Angola joined the Bank Group in 1980. Over the years, the AfDB has intensified its operations in the country and is currently in the process of opening a field office in Luanda. As of December 31, 2010, the Bank Group had approved 34 operations, estimated at UA 369.34 million, 55.5% of the approvals were made up of ADB approvals and 44.5% were from the ADF window.

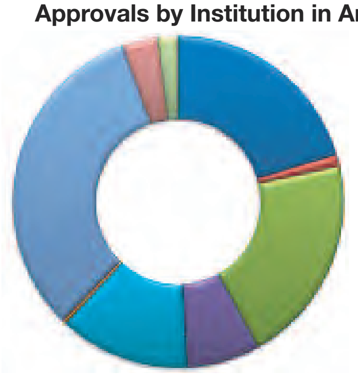
**Cumulative Bank Group Loan and Grant Approvals by Institution in Angola (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

Cumulatively, Bank Group operations in Angola are dominated by the infrastructure sector - transport, water and sanitation, power supply and communication - which account for about 41.5% of total loans and grants, followed by the social sector with 32.2%, agriculture 20.4% while the environment, multisector operations and finance sectors account for the rest.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Angola (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Infrastructure Sector

The Angolan government has made efforts to rehabilitate its transport and power infrastructure. Over the last four years, the government has rehabilitated numerous small distribution roads and over 1,500 km of railway lines connecting the hinterland to the coast. In addition, the country's governement is undertaking several projects to increase electricity production and regular water supply to municipalities. Currently, the major projects underway in the sector are the Capanda hydro-electric power plant, Cambambe hydro-electric power plant and power plants along the Kwanza river.

To date, the bank has approved 9 operations in Angola which account for 41.5% of total approvals, building up a total investment of UA 153.3 million which has helped to improve accessibility to clean water and sanitation facilities, communication services and energy supply in the country.

## Social Sector

The Angolan government is commmitted to reaching the Millennium Development Goals (MDGs). Although it has made some progress in human development indicators,

universal primary education was set to grow by 5.6% in 2010 and cases of malaria, tuberculosis and cholera fell by 5.8%, 17.5% and 42.7% in 2009. The country still has a long way to go.

To further support Angola's efforts, the AfDB will continue to engage with the Angolan government and other development partners in order to improve the results of its interventions and the impact of the interventions on the population's living conditions. As at December 31, 2010, Bank operations in Angola's social sector were close to UA 119 million, accounting for 32.2% of cumulative approvals. These interventions have enhanced the country's social indicators.

## Agriculture and Rural Development Sector

As the largest employer in Angola with 4.8 million people, the agricultural sector has a key role to play in efforts aimed at reducing poverty. Conscious of its importance, the Angolan government has made it a priority sector for public investment, committing close to US$ 80 million over the past three years.The sector has good potentials due to abundant and relatively good land. With gradual rehabilitation of rural infrastructure, the sector is gradually recovering.

The Bank Group has financed 6 operations in the sector, representing a cumulative lending amount of UA 75.45 million and accounting for 20.4% of historical approvals.

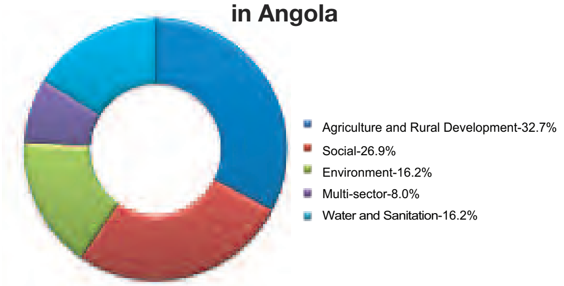
# Bank Group Strategy and Ongoing Activities in Angola

The Bank is preparing Angola's Country Strategy Paper (CSP) (2010-2014). The selected pillars are: Enhancing the competitiveness of the Angolan economy and developing the private sector; and Developing economic infrastructure. In addition, the CSP will take into consideration the Southern Africa Regional Integration Strategy Paper (RISP).

The implementation of the new CSP strategy will strongly rely on the support of the Bank's field office. This will go a long way in improving the Bank's responsiveness to the country's development challenges and engagement with Angolan authorities.

As of December 31, 2010, the Bank Group's ongoing portfolio in Angola had 8 operations, representing a total commitment of about UA 74 million. The sectoral breakdown of the current portfolio is marked by a predominance of support to the agricultural and rural sector (32.7%), followed by the social sector (26.9%), the environment as well as water and sanitation which account for 16.2% each and multi-sector operations which represent 8%.

**Structure of the current portfolio by sector in Angola**




**Recently approved and on-going operations in Angola**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Bom Jesus- Calenga Smallholder Agricultural Development Project | Agriculture and Rural Development | October, 2005 | 17.2 |
| Environmental Sector Support Project | Environment | March, 2009 | 12.0 |
| Support to the Socio-economic Re-integration of Vulnerable Groups | Social | November, 2003 | 3.78 |
| Health Services Rehabilitation Project | Social | November, 2002 | 6.5 |
| Basic Education and Job Skills Project | Social | December, 2001 | 9.63 |
| Sumbe Water Supply, Sanitation and Institutional Support Project | Water and Sanitation | November, 2007 | 12.0 |

The Bank's key operations have been in the agricultural and rural development sector as well as the environment. The major features and achievements of two operations are highlighted here below: the Bom Jesus-Calenga Smallholder Agricultural Development Project and the Environmental Sector Support Project.

**Bom Jesus- Calenga Smallholder Agricultural Development Project:** In 2002, the Angolan government identified agriculture as one of the priority sectors that would help the country tackle unemployment, food shortages and poor living standards. Through agricultural reactivation, the government has laid emphasis on increasing food production, multiplying improved seed varieties as well as organising and training rural farmers.

The focus is therefore on the rural sector, particularly on smallholder farmers who eke a living out of subsistence production. To help government efforts, the Bank Group provided a grant to support two communes - Bom Jesus and Calenga - with good agricultural potential. The project's specific objective is to sustainably increase agricultural production and incomes of smallholder farmers in the two project sites.

The project's major objectives were to ensure: Rural infrastructure development comprising irrigation, roads, water and health infrastructure; Agricultural development; Capacity building; and Project management.

The project is: Increasing the percentage of the agricultural sector's contribution to GDP; Increasing agricultural land through the installation of rain-fed and gravity flow infrastructure; Increasing agricultural production; Supporting the creation of viable farmers associations;

Rehabilitating feeder roads to gain access to input and output markets; Rebuilding bridges to facilitate market and production linkages; Providing safe water; Ensuring the rehabilitation of health centres to provide basic preventative and curative services; and Supporting agricultural research.

The project is also strengthening the country's ministry of agriculture and rural development's human and logistic capacities and its line institutions. It is also propagating the development of improved seed varieties for farmers and the introduction of improved farming methods and practices to beneficiary farmers.

Environmental Sector Support Project: Angola has a unique wealth of biodiversity. Scientists agree that Angola's biodiversity is one of the largest on the continent. Of the estimated 5,000 plant species in the country, about 1,260 are endemic, making Angola the second richest country in Africa in terms of endemic plants. The diversity of mammals is also one of the richest on the continent. Forests occupy about 35% of the country's territory while the coastline of over 1,600 km is rich in various fish species. The country is also rich in oil and mineral resources, including diamonds. The recent trend of environmental degradation poses a threat to fish resources, over-exploitation of plant species, soil erosion, and the pollution of soils, water and the atmosphere as well as climate change vulnerability raises concerns about inherent risks to environmental sustainability.

In 2002, the Bank funded an environmental investment study in Angola. The study established a strong basis for poverty reduction through the sustainable exploitation of the country's natural resource base and environmental awareness creation. To follow up on the study's findings, the Angolan government has requested the Bank to finance the Environmental Sector Support Project. It is a nation-wide project aimed at strengthening the government's institutional capacity and that of other stakeholders to effectively plan and implement sustainable natural resource management, climate change adaptation and environmental protection interventions and the enforcement of relevant environmental laws and Environmental Impact Assessment (EIA) guidelines.

The project has 3 main components, namely: Enhancing environmental governance, capacity building and institutional strengthening; Integrated environmental conservation and natural resource management; and Project management.

The project is resulting in the following outcomes: Reviewing and revising environmental policy and legislation; Streamlining sustainable land management, EIA and climate-proofing processes to develop interventions; Applying sectoral EIA guidelines to relevant sectors; Enhancing human and institutional capacity; and Enhancing environmental governance in the country.

# Botswana

| | |
|---|---|
| Membership year | 1972 |
| Start of lending operations | 1973 |
| Number of Bank Group operations approved, 1967-2010 | 48 |
| Number of ADB operations approved from 1967-2010 | 28 |
| Number of ADF operations approved from 1974-2010 | 17 |
| Number of NTF operations approved from 1976-2010 | 3 |
| Cumulative Bank Group Approvals in UA million from 1967-2010 | 1,512.89 |
| Subscribed capital (%) as of December 31, 2010 | 2.138 |
| Total voting power (%) as of December 31, 2010 | 2.122 |
| Number of on-going operations | 11 |
| Total loan amount of ongoing operations in UA million[9] | 1,124.82 |
| Number of newly approved operations | 3 |
| Total amount of newly approved operations in UA million | 1.7 |

[9] Excluding Multinational Operations

# Presenting the Republic of Botswana

The Republic of Botswana is a landlocked country in Southern Africa. It is bordered by South Africa to the south and southeast, Namibia to the west and north, and Zimbabwe to the northeast.

The structure of the country's economy has changed very little in recent years. It is dominated by the mining sector, followed by the services sector, with all other sectors contributing only marginally.

The mining sector generates more than one-third of total GDP. In addition to diamonds, which are the main commodity exports, Botswana also exports copper and nickel. Consequently, during the global economic crisis, Botswana's economy was hit hard by the fall in demand for and prices of commodities, particularly diamonds. The commodity bust started to affect the economy in the second half of 2008, and the shock culminated in the first quarter of 2009 when diamond exports dropped by about 70% and GDP by about 20% compared with the previous year.

The non-mining sectors, particularly services, withstood the crisis well, as their output increased by almost 12% in 2009. During the same period, banks, insurance and business services, general government services, as well as hotels and restaurants were among the largest contributors to GDP growth, accounting for 10.7%, 15.5% and 11.5% of GDP, respectively.

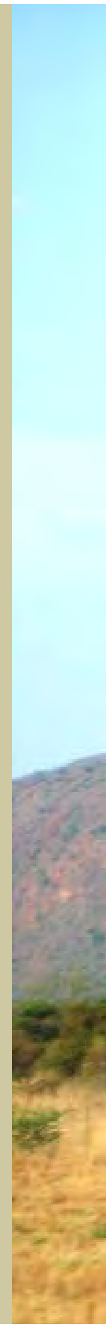
In the second quarter of 2009, Botswana overcame the period of negative growth as mining companies resumed production and quarterly GDP rose by approximately 20% over the first quarter. Total GDP for 2009 dropped by 4%, but the recovery of the global economy reversed the decline, and Botswana's economy was estimated to grow by 3.4% in 2010 and projected to increase by 3.1% in 2011.

Major social challenges in the country include poverty, unemployment and HIV/AIDS. This is due, in part, to the capital-intensive nature of the mining industry which generates little employment and the mismatch between labour demand and supply. The Botswana AIDS Impact Survey III, conducted in 2008, found a national prevalence rate of 17.6% (20.4% for females and 14.2% for males).

With regard to education, education ministry reports indicate that government had achieved universal coverage, in line with the Millennium Development Goals, though quality needs further improvements. In 2009, the country's government implemented the National Internship Program to enhance the employability of university graduates who may not be recruited immediately upon graduation due to lack of experience. The program has resulted in the placement of 3007 interns, many of whom have already found permanent employment either in the public or private sector. Furthermore, it is reported that the employment rate declined from 21.5% in 1996 to 17.5% in 2008.

Botswana has a well-established health infrastructure network, comprising 31 hospitals, 243 clinics and 340 health posts. This ensures easy access to health facilities and care. In 2007, 84% of the population lived within five kilometres of the nearest health facility and 95% within eight kilometres of the nearest health facility.

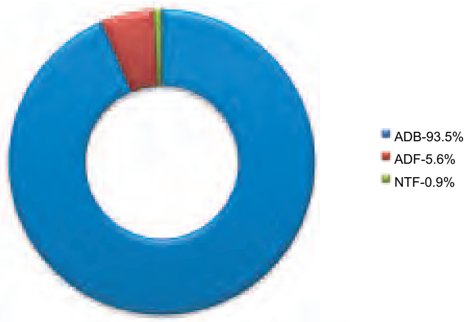
The proportion of the overall population with access to piped or tapped water from either a private connection or communal tap was about 96% in 2007. The proportion of households with flush toilets or ventilated improved pit latrines increased from 39% in 2001 to 52% in 2006.



# Overview of Bank Group Operations in Botswana

Since commencing operations in Botswana in 1973, the Bank Group has provided financing for 48 operations, 93.5% of which are funded through the ADB window, 5.6% by the ADF and 0.9% are NTF approvals.

**Cumulative Bank Group Operations in Batswana by Institution in Botswana (1967-2010)**

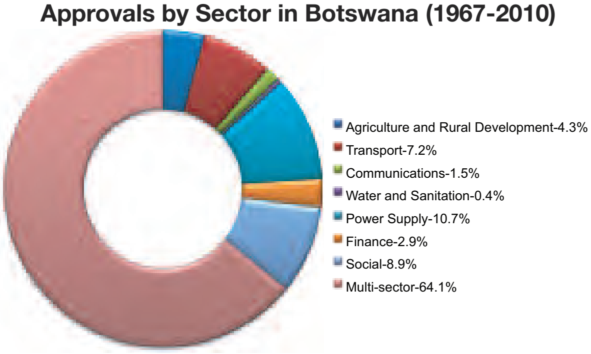



Source: AfDB Statistics Department, Economic and Social Statistics Division

Total Bank Group approvals are estimated at over UA 1.5 billion.These interventions have covered several sectors, notably agriculture, infrastructure, multi-sector operations, finance and social sectors.

Bank-financed operations cover mainly multi-sector interventions, which account for 64.1% of the portfolio's entire resources, followed by the infrustructure sector - transport, communications, water and sanitation and power supply - which represents 19.8%, the social sector accounts for 8.9%, agricultural sector 4.3% and finance 2.9%.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Botswana (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Multi-sector Operations

The government of Botswana has initiated numerous reforms to support private sector growth, promote economic diversification, create employment opportunities and reduce poverty. These initiatives include the Citizenship Entrepreneurial Development Agency, The Young Farmers Fund and The Local Enterprise Agency, among others.

However, in 2009, Botswana was adversely affected by the global crisis and economic downturn mainly because of falling demand and declining prices of diamonds. This led to lower export receipts and lower government revenues which threatened Botswana's ability to sustainably finance its development programs.

To help the country's government fill this financing gap, the AfDB approved the Economic Diversification Support Loan (EDSL) worth UA 949.19 million. This is the largest sovereign facility ever granted by the continent's leading development finance institution, specifically designed to fill part of the governement's 2009-2010 budget deficit which stood at 13.5% of GDP.

## Infrastructure Sector

The country's government has risen to the occasion, seeing the recent financial crisis as an opportunity to undertake measures to address long-standing structural issues, including mineral dependence and inadequate infrastructure. In line with the strategy to promote economic diversification, the government needs to remove infrastructure bottlenecks and there are plans underway to undertake projects and programs that will provide safe, secure and efficient infrastructure - energy, roads, rail and water.

The Bank Group has, so far, approved 22 operations for the country's infrastructure sector, amounting to UA 299.2 million and, most recently, it committed a loan worth UA

111.34 million to finance Morupule "B" Power Transmission project. The Morupule project aims at helping Botswana achieve energy generation self-sufficiency in order to substitute rapidly declining electricity imports.

## Financial Sector

Botswana has continued to make great strides towards improving governance by strengthening public financial management, including improving the accounting and budgeting system; improving revenue administration; strengthening the external audit system; and establishing a new public procurement and regulatory framework. Other reform areas being pursued include decentralisation, privatisation and restructuring public enterprises and investment climate improvements.

In support of Botswana's diversification efforts, the Bank Group will collaborate with the country's government to influence policy reforms that focus on deepening the financial sector, strengthening the regulation of non-bank financial institutions, and promoting privatisation and public-private partnerships.

Since its inception, the Bank Group has financed 3 operations to the tune of UA 43.94 million, accounting for 2.9% of total approvals.

# Bank Group Strategy & Ongoing Activities in Botswana

The design of the Bank's assistance strategy is underpinned by the country's Vision 2016 whose main goal is to eradicate poverty, the Tenth National Development Plan and the National Strategy for Poverty Reduction.

To support the government's diversification agenda, the following pillars have been crafted: Supporting actions to expand private sector investment; and Removing infrastructure bottlenecks to enhance competitiveness and growth.

These pillars recognise the need to support the government's short-term financing gap, as it tries to counter the impact of the global financial crisis and maintain its project schedules; and to remove obstacles and lay a firm foundation for more competitive and diversified growth over the medium-to-long-term.

This strategy aims at financing a number of projects, as well as providing appropriate knowledge and advisory services in order to best orientate the economy on a more productive and sustainable growth path. It is in line with the Bank's Strategic Framework for Enhancing Support to Middle Income Countries (MICs).

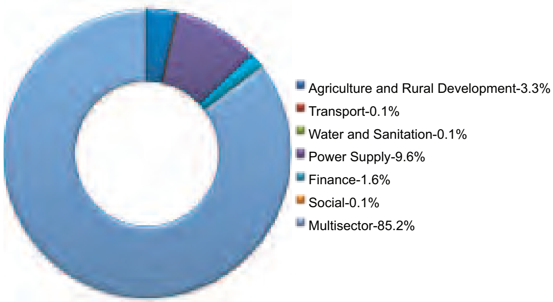
The Bank Group supports Botswana's private sector and parastatals, both of which provide the infrastructure critical for private sector development and economic growth.

**Recently approved and on-going operations in Botswana**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Pandamatenga Agriculture Infrastructure Development Project | Agriculture and Development | September, 2008 | 32.27 |
| AWF-Water control and Management system | Water and Sanitation | June, 2007 | 1.08 |
| Economic Diversification Support Program (EDSL) | Multi-sector | June, 2009 | 949.19 |
| Technical Assistance for fast tracking Vision 2016 | Multi-sector | November, 2008 | 0.25 |
| Institutional strengthening of local authorities | Multi-sector | January, 2008 | 0.28 |
| MIC-Corporate Governance Code | Multi-sector | March, 2007 | 0.15 |
| Solar Energy Project | Power Supply | December, 2009 | 0.6 |
| Morupule B Power | Power Supply | October, 2009 | 142 |
| Support for Education and Technical Vocation Education | Social | March, 2010 | 0.6 |

The Bank Group is currently financing 9 projects in Botswana, amounting to UA 1.13 billion. Active operations are dominated by multi-sector projects, representing 85.2% of ongoing operations. The Bank Group is actively getting involved in Botswana's power sector, its current approvals to the sector account for 9.6%, amounting to UA 112 million. The combined contribution of agriculture, transport, finance, water and sanitation and social sectors accounts for 5.1% of current Bank Group operations in Botswana.

**Structure of the current portfolio by sector in Botswana**




Furthermore, the Bank will also support Botswana's regional integration efforts by encouraging multi-national projects, within the context of the Regional Integration Strategy Paper (RISP) for southern Africa, and the NEPAD initiative where the Bank's major mandate is in the area of infrastructure development.

The Bank's major operations in Botswana are in the power supply sector and the multi-sector. The features and expected outcomes of these projects are presented here below:

Morupule B Power Project: To date, Botswana has principally relied on imports to meet its growing demand for electricity (peak demand of 500 MW in 2008 and around 600 MW projected for 2012). In 2008, 80% of the electricity supplied in Botswana consisted of imports from South Africa's Eskom and other neighbouring countries, while 20% was generated by the country's only power plant, Morupule "A", a 25-year-old plant that is increasingly unreliable.

Due to inadequate supply and load shedding in the Southern African region, neighbouring countries have significantly reduced their power sale commitments for the 2008-2012 period and imports are expected to be totally discontinued by 2013. As a result, load-shedding has been occurring in Botswana since 2008. In the absence of sizeable new domestic generation capacity to substitute for rapidly declining imports, the Botswana Power Corporation (BPC) will be unable to meet the bulk of domestic electricity demand as of 2013.

To support government efforts, the Bank is partly financing the Morupule B project to ensure energy generation self-sufficiency in order to substitute for rapidly declining electricity imports, thereby enhancing Botswana's economic competitiveness, fuel economic growth and diversification, and contribute to the government's poverty reduction objectives. The middle income countries (MIC) grant will be used to finance a technical assistance component to prepare a feasibility study for a 200 MW concentrating solar power plant to diversify energy supply and address climate change issues.

The project's main components include: Installing the power plant; developing a water supply system; installing the power transmission system and sub-stations; providing technical assistance; and supervising and managing the project.

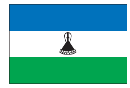
The project aims at posting the following results: a fully served national electricity demand from domestic generation capacity, which will be increased from 132 MW in 2009 to 600 MW by December 2012; and to enable the Botswana Power Corporation to have an exportable surplus of about 500 GWh to neighbouring countries by 2014.

Economic Diversification Support Program (EDSL): The Botswana Economic Diversification Support Loan (EDSL) Program has been the Bank's timely response to Botswana's need to cope with challenges emerging from the global financial crisis. The EDSL Program is a two (2) tranche operation, designed to fill part of the gap in the government's 2009/10 budget deficit – estimated at 13.5% of GDP. Its reform agenda intends to promote privatization/PPP initiatives, trade competitiveness, and enhanced regulation of non-bank financial institutions. The first tranche of the EDSL (US$1.0 billion) was disbursed as planned in October 2009. The disbursement of the second tranche (US$ 0.5 billion) was initially planned for January 2010.

The program focuses on the following key reform areas: promoting privatization and Public-Private-Partnership (PPP) initiatives; Improving competitiveness and trade; and Improving financial sector governance and strengthening the regulation of non-bank financial institutions.

The direct outcomes of the project include: Emergence of vibrant non-mining, private sector activities; Greater application of market efficiencies; Improved private sector regional competitiveness; Improved regulation of non-bank financial institutions; Improved capital market development; Increased FDI inflows; Improved financial sector governance; and Increased citizen-owned business participation in the capital market.

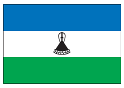
# Lesotho



| | |
|---|---|
| Membership year | 1973 |
| Start of lending operations | 1974 |
| Number of Bank Group operations approved, 1967-2010 | 65 |
| Number of ADB operations approved from 1967-2010 | 7 |
| Number of ADF operations approved from 1974-2010 | 53 |
| Number of NTF operations approved from 1976-2010 | 4 |
| Number of Other Approvals[11] | 1 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 333.71 |
| Subscribed capital (%) as of December 31, 2010 | 0.152 |
| Total voting power (%) as of December 31, 2010 | 0.177 |
| Number of on-going operations | 5 |
| Total loan amount of ongoing operations in UA million | 41.35 |

[11] These include, Equity Participation, Guarantee, Post-Conflict Countries Facility, Reallocations and Special Funds for Water

# Presenting the Kingdom of Lesotho



The Kingdom of Lesotho is a landlocked country. It is entirely surrounded by the Republic of South Africa and it covers just over 30,000 km2 with a population of about 2,067,000. After several years of strong growth, the economy slowed down in 2009. This was mainly due to the second round effects of the global financial and economic crisis which greatly affected the manufacturing and mining sectors, as well as Diaspora remittances. The decline of real GDP growth from 4.4% in 2008 to 1.1% in 2009 reflected lower textile exports and the closure of two diamond mines in 2008. This led to increased unemployment due to redundancies in the textile industry and the mining sector.

Services have increasingly dominated economic activity in Lesotho, contributing close to 60% of GDP over the last five years. Since 2007, growth in the construction sector has averaged 5%, contributing 15.5% to the overall GDP growth rate in 2009.The agricultural sector grew at a modest rate in 2009 due, in part, to improved weather conditions although its relative importance in the country's GDP has diminished in recent years.

In terms of social indicators, Lesotho has one of the highest rates of extreme poverty and low human development in sub-Saharan Africa. However, over the past decade, the economy has grown and income inequality reduced which led to a decline in the population living below one US dollar (US$) a day from 45.4% in 1999 to 33.1% in 2008. With such rates, Lesotho is on the right track to meet the UN Millennium Development Goal (MDG) of reducing extreme hunger and poverty by half by 2015.

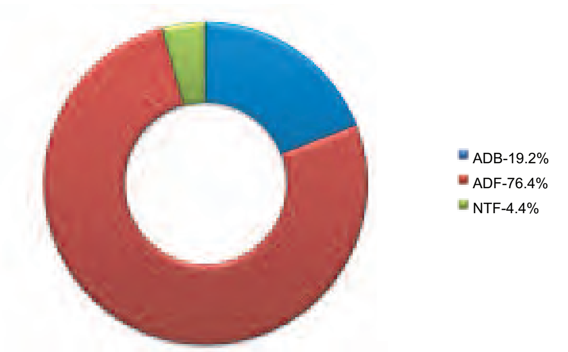
The government provides free primary education and partial funding for secondary education. Net primary school enrollment has increased from 57.7% in 1999 to about 84% in 2009. There have also been improvements in the quality of education, with considerable improvements in the teacher-pupil ratio during this period. Modest progress has been made over the last decade to reduce child mortality. From 2000 to 2007, child and infant mortality declined at an annual rate of 3% and 2%, respectively. However, at this rate, the country will not be able to reach the MDG of reducing child mortality by one-third by 2015.

At 24% HIV/AIDS prevalence rate, Lesotho is the third highest in the world. The US-funded Millennium Challenge Account helps to build health centres. The first of the 150 clinics opened in 2010 and these should give greater access to anti-retroviral treatment.

# Overview of Bank Group Operations in Lesotho

The Bank Group has been supporting Lesotho's development efforts since 1974. Since then, 65 operations, estimated at UA 333.71 million, have been approved by the AfDB. Interventions by institution comprise mostly ADF approvals (76.4%), ADB (19.2%) and NTF (4.4%) loans and grants.

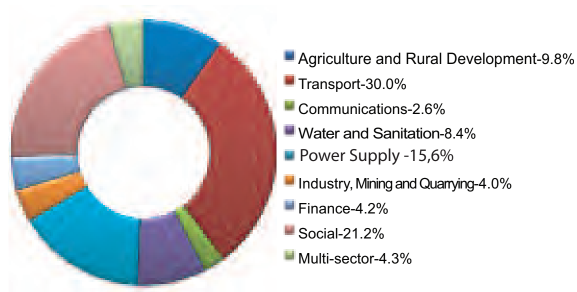
**Cumulative Bank Group Loan and Grant Approvals by Institution in Lesotho, 1967-2010**




Source: AfDB Statistics Department, Economic and Social Statistics Division

The Bank Group's cooperation with Lesotho is rich and varied, covering nearly all sectors. As of December 31, 2010, twenty-seven operations had been in the infrastrucuture sector - transport, water and sanitation, power supply and communications sectors, totaling 56.6% of the overall funding; 15 in the social sector, accounting for 21.2% of ADB funding; the agricultural sector had 11 operations, representing 9.8% of the ADB funding; while multi-sector operations, finance and industry, and mining accounted for 12.5% of the funding with 11 operations.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Lesotho (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Infrastructure Sector

Lesotho's economic competitiveness has been affected by low levels of infrastructure facilities, including inadequate road transport network and lack of reasonably priced utilities - electricity, water and telecommunications. Conscious of this, the government's poverty reduction strategy has given high priority to the energy sector in terms of setting up new electricity generation facilities and transmission, as well as distribution systems in order to mitigate power shortages and increase access to reliable and affordable supplies of energy with a view to improving the country's productivity, supporting private sector development, creating jobs and, ultimately, leading to sustainable economic growth.

Through its infrastructure operations, the Bank Group has financed sector studies, improved access to water and sanitation, constructed and rehabilitated roads, partly financed the construction of the Maseru International Airport and funded investments in electricity supply infrastructure. As of December 31, 2010, Bank Group operations in the sector were estimated at a cumulative amount of UA 188.83 million.

## Social Sector

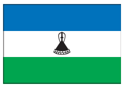
The Lesotho government has set out to enhance quality of life and social well-being by ensuring access to quality services, improving efficiency in the delivery of social services and promoting a clean and healthy environment, as well as sustainable use of natural resources.

To achieve this, the share of overall government budget spent on social sectors increased steadily to 46% (or 31% of GDP) in the 2008/09 budget, with education accounting for about 22% of total expenditure (14% of GDP), a rate which is the highest in Sub-Saharan African countries, and public health about 10% of total expenditure (7% of GDP).

As a result, Lesotho has made tremendous progress; its literacy level is among the highest on the continent, with the overall population literacy rate standing at 83% in 2006. However, the country continues to face significant challenges in the educational sector, especially in the mountainous regions, following the introduction of a free primary education program in 2000.These include low coverage and poor quality of basic education due to the lack of teaching aids, materials and facilities; low retention rate in primary schools; low transition rate to secondary education; and poor quality and relevancy of secondary and tertiary education. To address these challenges, the government is implementing the 2005-2015 Education Sector Strategic Plan.

The Bank Group has financed social sector studies and supported health and education reforms and programs in Lesotho. These Bank Group operations have strengthened secondary education, enhanced the quality of education and improved rural and urban health services. So far, Bank-financed interventions in Lesotho are estimated at UA 70.6 million.

# Bank Group Strategy & Ongoing Activities in Lesotho



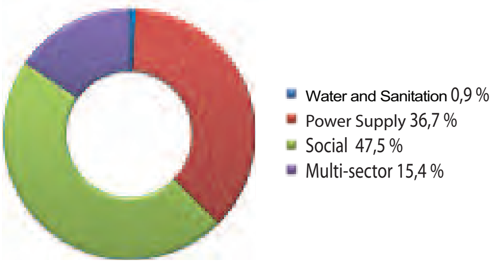
The Bank's strategy for 2008-2012 lays emphasis on: Improving governance; Expanding infrastructure; and Developing human resources with emphasis on technical and vocational education and training (TVET).

Bank Group support focuses on improving transparency and accountability in the management and use of public resources. To achieve this, the Bank has committed to supporting the implementation of the government's poverty reduction strategy. It will help Lesotho in improving the policy and institutional environment for public service delivery with a view to facilitating poverty reduction and accelerating progress on MDGs.

In line with the promotion of the economic growth and diversification pillar, the Bank will help the country's government to achieve some of its energy infrastructure requirements, including generation and transmission, distribution networks and cleaner sources of energy with low carbon content. These interventions aim at improving the living conditions of the Basotho people; and contributing to poverty reduction and economic growth by providing expanded, sustainable electric power at affordable cost.

The 5 ongoing operations estimated at UA 41.35 million are largely in the social sector (47.5%), followed by the infrastructure sector (power supply and water and sanitation) (37.6%) and multi-sector operations accounting for 15.4% of active operations.

**Structure of the current portfolio by sector Lesotho**




**Recently approved and on-going operations in Lesotho**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Electricity Power Project | Power supply | January, 2009 | 11.0 |
| Poverty Reduction Support Program | Multi-sector | November, 2009 | 6.48 |
| The Education Quality Enhancement Project | Social | June, 2009 | 7.57 |
| Supply to the Health Sector Reforms Program (Health VI Project) | Social | September, 2002 | 7.4 |
| RWSS Strategic Investment Plan | Water and Sanitation | May, 2007 | 0.37 |

The Bank's main current operations focus on the social and power supply sectors. The major features and achievements of two operations are highlighted in the Electricity Power Project and The Education Enhancement Project below.

Electricity Power Project: Lesotho's commercial activity and economic growth are hampered by numerous constraints, including the lack of suitable infrastructure. The electricity sector, in particular, is presently characterised by significant deficiencies in generation, transmission and transformation, as well as low consumer access rate (16%).

Furthermore, the Lesotho government is also concerned about current and anticipated electricity shortages in Southern Africa as the sector faces enormous challenges marked by inadequate electricity generation and distribution.

To help the government address the above constraints, the Bank Group is financing this project to support investment in electricity supply infrastructure in order to enhance electricity access rate, ensure improved efficiency, and reduce peaking shortages and, by so doing, contribute to poverty reduction in the country.

The project comprises 4 components: Rehabilitation and installation of renewable energy sources; Construction of a distribution network; Provision of technical assistance; and Project supervision and management.

Considering that the project is built to its designed capacity, it will increase domestic electricity use to meet energy needs (17 MW by 2011); improve public facilities (e.g. health & education) as a result of the availability of electricity (power cuts in clinics/schools in project area reduced from 3 hours/day in 2007 to 2 hours/day in 2012); increase economic activity in industrial, agricultural,

and commercial sectors as a result of the availability of electricity (number of SMEs in project areas are expected to increase from 150 in 2007 to 300 in 2012); expand clean energy use and the partial replacement of non-renewable energy sources; improve utility performance and reduce power outages during peak periods. It will also improve welfare services; introduce modern integrative mental care systems; and develop human resources for a more equitable, accessible and efficient health delivery system.

Education Quality Enhancement Project: The Bank is financing a project to improve the efficiency of the educational system through quality education and training. Major project components include improving the quality of primary and secondary education; aligning skills to job market exigencies; and enhancing project management in the areas of procurement and financial management.

The project includes improving access to quality education by primarily upgrading the quality of primary education, whose capacity is currently being expanded by the government and other development partners; and expanding access to quality education at the secondary level; skills employability enhancement intended to strengthen the quality and relevance of the TVET system through the triple approach of curriculum revision, improved instructor training and the enhancement of teaching and learning conditions in technical schools; and institutional support and capacity building by strengthening capacity to meet the growing administrative and management requirements of the educational system; upgrading and enhancing technical sector management skills, especially in line with ESSP implementation requirements; and strengthening institutional capacity for curriculum reform.

The project is posting the following results: Ensuring quality, relevant, and functional primary and post-primary education and training; Increased number of adequately trained teachers, counselors, inspectors, curriculum assessment officers and anti-HIV/AIDS activists; and Improved technical capacity for project implementation in the Planning Unit.

# Madagascar

| | |
|---|---|
| Membership year | 1976 |
| Start of lending operations | 1977 |
| Number of Bank Group operations approved from 1967-2010 | 93 |
| Number of ADB operations approved from 1967-2010 | 15 |
| Number of ADF operations approved from 1974-2010 | 75 |
| Number of NTF operations approved from 1976-2010 | 3 |
| Cumulative Bank Group Approvals in UA million from 1967-2010 | 946.77 |
| Subscribed capital (%) as of December 31, 2010 | 0.664 |
| Total voting power (%) as of December 31, 2010 | 0.649 |
| Number of on-going operations | 8 |
| Total loan amount of ongoing operations in UA million[12] | 216 |

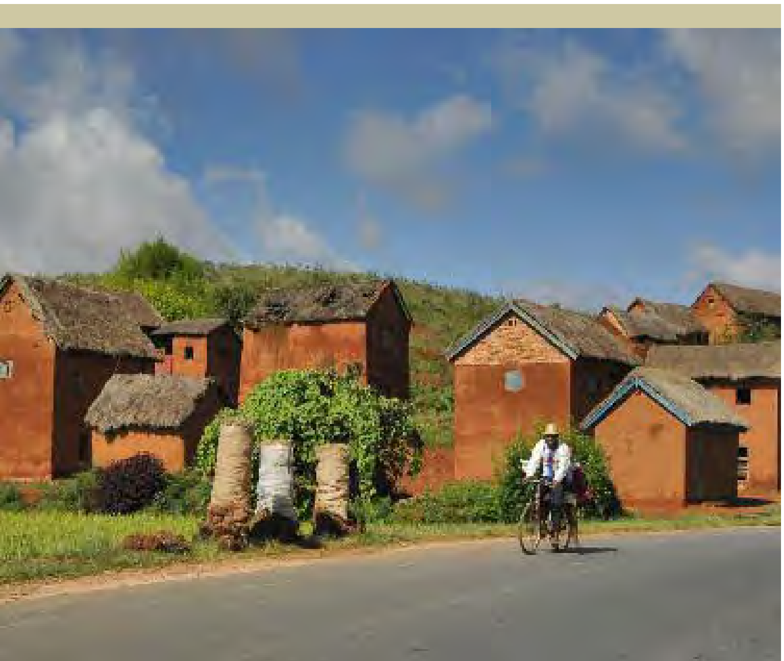
[12] A private sector operation in the mining industry accounts for UA 96.4 million, nearly half of the ongoing portfolio.

# Presenting the Republic of Madagascar

The Republic of Madagascar is an island nation in the Indian Ocean off the southeastern coast of Africa. The main island, also called Madagascar, is the fourth largest island in the world.

A grave new political crisis hit Madagascar in 2009 and the impact combined with the global financial crisis to send the 2009 gross domestic product (GDP) growth rate plummeting to 4.5%. The crises had a strong negative impact on the private sector. Most notably, firms suffered heavy losses as a result of looting at the start of the crisis and business activities have been greatly hampered by the ensuing insecurity.

Tourism and construction sectors are the main drivers of the country's economy and they are sensitive to political crises. It is not surprising that the economic outlook for 2010 and 2011 will depend on whether the country emerges from the crisis.



Efforts to achieve the UN Millennium Development Goals (MDGs) have also been undermined by the crisis. Although data was not yet available, some of the progress made in recent years has probably been wiped out, particularly in the areas of poverty reduction, school enrolment and health. Moreover, the country's poverty reduction strategy, known as the Madagascar Action Plan, has been abandoned following a change in government and it has not been replaced by a new strategy.

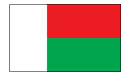
This new instability ended a series of good years since 2003 – the GDP growth rate hit 7.1% in 2008 – and highlights the fragility of Madagascar's economic situation. The little progress made is regularly undermined by repeated political crises.

Progress towards universal primary education is continuing. The elementary school completion rate rose from 53% in the 2006/07 school year to 60% in 2007/08, and was clearly higher for girls (66%). Unfortunately, the reduction in external aid and the public budget, as well as the financial difficulties faced by households may well have a negative impact on access to schooling in 2009/10.

Infant mortality seems to be declining, since immunisation coverage has increased. For example, the coverage rate of diphtheria-tetanus-pertussis vaccine rose from 80% in 2007 to 88% in 2008. Similarly, the proportion of babies delivered in basic health centres and district hospitals rose from 22% in 2007 to 29% in 2008, but this rate remains very low, reflecting the country's lag in terms of maternal health.

HIV/AIDS prevalence is low, but so is the level of prevention. As HIV/AIDS programs are mainly financed by foreign aid, they also suffered from a lack of funding in 2009.

# Statement by Mr. Bruno Boedts
# **Madagascar Country Office Country Program Officer**



The Madagascar Country Office (MGFO) started its activities in 2006. As soon as it was opened, the Office undertook actions to achieve the following four strategic objectives : i) enhancing dialogue with the national authorities, private sector operators and civil society actors; ii) strengthening dialogue with development partners; iii) improving portfolio management monitoring; and iv) increasing the Bank's visibility.

Since January 2009, Madagascar has been undergoing a political crisis which has caused a social and economical crisis due to a partial freezing of the external aid. The external aid represents 75% of the financing of public investment and its 60% decline has negatively affected the country socially and economically. The growth sectors such as tourism and construction industry and public works have been strongly affected by the consequences of the political crisis. On the other hand, mining and agriculture sectors have withstood. The crisis issue which is the key for the economic recovery depends on the national and international consensus on the current initiatives of the organization of free and transparent elections. It is necessary that the country takes advantage of this transitional period in order to implement the foundations of its political stability, a necessary condition for a sustainable growth.

The current intervention strategy of the Bank in Madagascar has been extended until the end of 2011 due to the political crisis. The pillars of the strategy remain: i) the improvement of the quality of rural infrastructures; and ii) the improvement of governance. The Bank has not initiated any new project in Madagascar since the beginning of the crisis, but committed projects are continuing. As soon as the process of crisis issue is recognized at national and international levels, the Bank may entirely accompany the country in this transition, so that it may find again its way to development for the well being of Malagasy people.

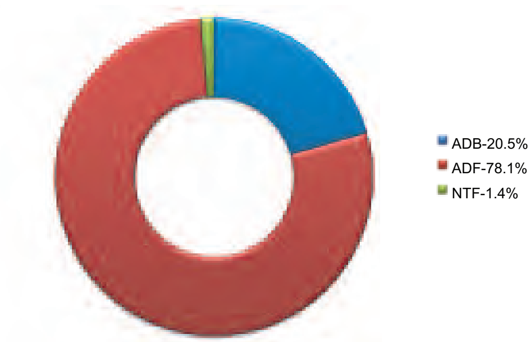
Regarding the portfolio, its evaluation is broadly satisfactory despite the political crisis. Significant improvements have been recorded, thanks to the role played by the MGFO office. The main improvements include: i) reducing of deadline for the implementation of projects; ii) maintaining of an overall rate of high disbursement; iii) increase of average amount per project; iv) reduction of the number of projects at risk; v) decrease of the average age of portfolio with the cancellation of old projects; and vi) increase of the Bank supervision rate. Meanwhile, a number of improvements are still required to improve portfolio overall performance and to enable a more important impact of the Bank's projects in the achievement of the Millennium Development Goals and objectives for poverty reduction in Madagascar.

Going forward, when dialogue conditions are restored, the Bank plans to focus on: (i) the priority areas which will entail drafting of a new strategy; and (ii) the reforms necessary for the implementation of better economic governance whilst improving the business environment for a more dynamic development of the private sector. And finally, the efforts committed before the crisis to better coordinate the aid under the leadership of national authorities will also be encouraged.

# Overview of Bank Group Operations in Madagascar

Since starting operations in Madagascar in 1977, the AfDB has granted 93 loans and grants. Bank Group cumulative approvals were distributed across its 3 windows, the non-concessional ADB window accounted for UA 194.53 million (20.5%) for 15 operations. The concessional ADF window accounted for UA 739.29 million (78.1%) for 75 operations and the NTF accounted for UA 12.95 million (1.4%) for 3 operations.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Madagascar (1967-2010)**

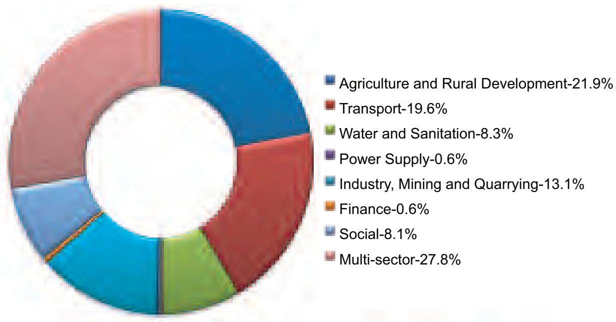



Source: AfDB Statistics Department, Economic and Social Statistics Division

Over the years, the Bank has developed a diversified portfolio in Madagascar. Operations financed by the Bank cover the infrastructure sector which accounts for 28.5% of the cumulative portfolio, as well as multi-sector operations, agriculture, industry and mining, social and finance, which respectively account for 27.8%, 21.9%, 13.1%, 8.1% and 0.6% of the resources.

The Bank Group has also participated in all Madagascar-related debt relief initiatives. These intitatiatives include the Heavily Indebted Poor Countries (HIPC) Initiative (US$ 80 million) and the Multilateral Debt Relief Initiative (US$ 370 million) at the end of the process in 2054.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Madagascar (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Multi-sector Operations

Madagascar has undertaken several economic and social reforms to promote its social and economic development programs. Bank Group support to reforms facilitated the revival of Madagascar's macro-economic stability. The AfDB also approved loans and grants to support the budget, build institutional capacity and promote good governance in the country.

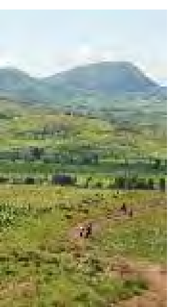
Since its inception, the Bank Group has approved 18 operations with a cumulative amount of UA 223.19 million for multi-sector operations in Madagascar. Up until the start of the political crisis in 2009, ongoing Bank efforts had helped reforms to improve public finance management, strengthened the private sector through the establishment of a legal and regulatory framework and developed national skills.

## Infrastructure Sector

From 2003 to 2009, the Malagasy government implemented the Poverty Reduction Strategy with the support of development partners, including the AfDB. Actions were undertaken in various areas, including infrastructure development. To support these efforts, the AfDB has financed projects to improve the efficiency of the country's transport sector and, in so doing, reduce poverty.

The country's water and sanitation sector has made significant progress over the last few years and the AfDB has become the country's leading partner in this sector. In the recent past, the AfDB has financed activities to provide sustainable drinking water and improved hygiene in rural areas.

Historically, the AfDB has approved 23 operations, estimated at UA 228.81 million, which have rehabilitated and expanded roads, constructed boreholes, latrines and watering points to support communities, livestock rearing, among others.

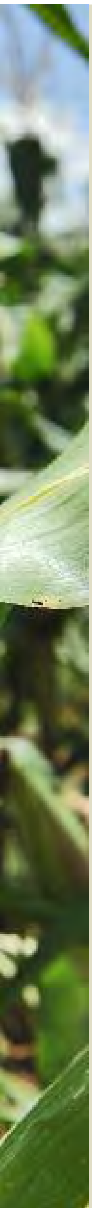


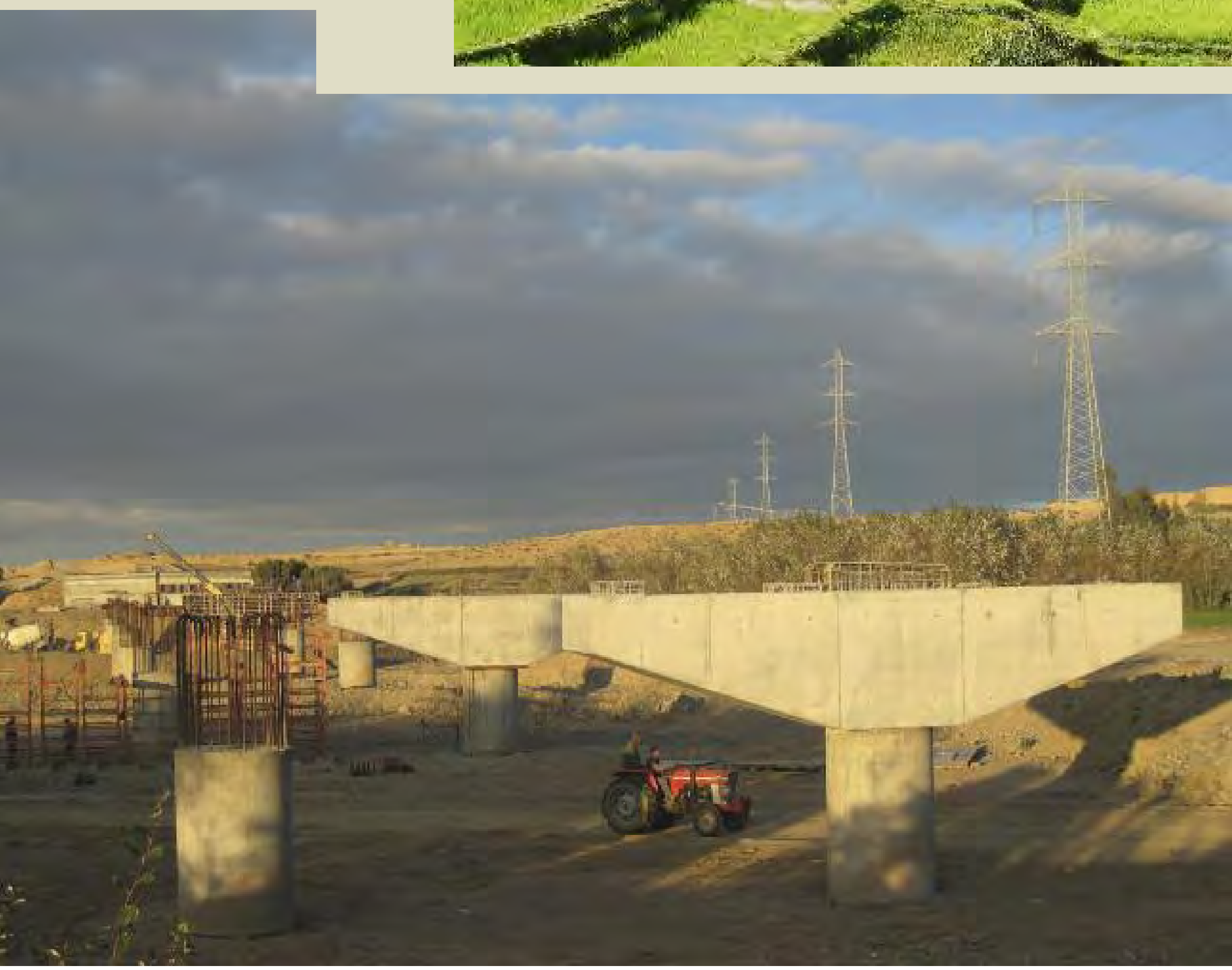
## Agricultural and Rural Development Sector

Madagascar's economy depends essentially on primary sector activities - agriculture, livestock and fisheries, and forestry. This sector's performance has the greatest influence on poverty trends in the country, especially rural poverty. Indeed, its contribution to current GDP in 2004 is 26.2%, and it comes essentially from agricultural activities (15.5%), livestock and fisheries (7.2%) as well as forestry (3.5%). It also accounts for 76% of jobs created in the national economy. The main agricultural sector products are export crops like vanilla, cloves, pepper, lychee, coffee, cotton and food crops such as rice, maize, cassava, sweet potatoes, lima beans and potatoes. Apparently, while agricultural production is much diversified, rice is the main produce.

The Bank has devoted resources to Madagascar's agricultural sector by rehabilitating damaged irrigation infrastructure which has developed and increased rice production in the Lower Mangoky irrigation area. Furthermore, the AfDB is financing a project to promote the sustainable development of traditional maritime fishing by consolidating beneficiary organisations and state services, the joint and responsible management of fishery resources, and the appropriate equipment for fishermen.

As of December 31, 2010, the agricultural and rural sector accounted for 21.9% of total approvals, representing total commitments of nearly UA 176 million. These projects have helped to reduce poverty and strengthen food security in Madagascar.





# Bank Group Strategy & Ongoing Activities in Madagascar

The Bank's ongoing support is based on the orientations of the current 2005-2009 Country Strategy Paper (CSP) which was further extended for 2 years due to the political crisis at the time. The CSP is anchored on two pillars: Improving the quality of rural infrastructure; and Improving governance.

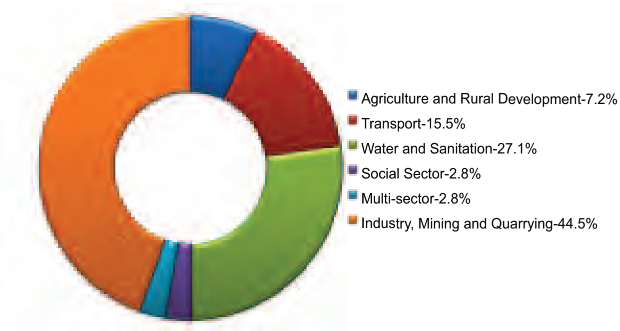
The budget support, which was in progress, was cancelled at the request of government authorities. The Bank stands ready to finance the re-launch of the government's development provided it is recognised by the African Union and the international community.

Going forward, the Bank plans to revisit the country when the conditions for dialogue are restored. The first step will be to re-engage with the authorities to identify and agree on priority areas for the development of a new strategy. It envisages that the main thrusts of the new strategy will be to establish new reforms for better economic governance and the enhancement of the business climate to promote private sector growth.

**Recent Operations in Madagascar**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| The Manombo Irrigation Area Rehabilitation Project | Agriculture and Rural Development | November, 2007 | 9.5 |
| Support to Fishing Communities of Tulear | Agriculture and Rural Development | November, 2005 | 6.3 |
| Support to Communicable Diseases Control | Social | December, 2004 | 6.0 |
| Tulear Province Road Project | Transport | July, 2004 | 42.1 |
| Poverty Reduction Support Program Phase II | Social | June, 2008 | 60 |
| Institutional Capacity Building for Good Governance | Multi-sector | October, 2005 | 5.9 |
| Drinking Water Supply and Sanitation in the Grand Sud | Water and Sanitation | October, 2003 | 7.9 |
| Ambatovy Nickel Project | Industry, Mining and Quarrying | May, 2007 | 96.2 |

**Structure of the current portfolio by Sector in Madagascar**




The current portfolio comprises 8 ongoing projects which represent a total commitment of UA 216 million. The main sectors benefiting from the Bank's current financing are multi-industry, mining and quarrying (44.5%), water and sanitation (27.1%), transport (15.5%), agriculture (7.2%); the social sector (2.8%) and multi-sector operations (2.8%).

The majority of current operations in Madagascar are in the mining sector. Below are the main features and expected outcomes of the Ambitovy Nickel Project.
Ambitovy Nickel Project: Madagascar has vast minerals resources and yet the mining sector accounted for only 5% of the country's GDP in 2005. One of the government's main objectives is to diversify from the agriculture-based economy which currently accounts for 70% of GDP. In order to attract foreign and local investments, the government has made a series of laws, including the Mining Code, the Labor Code, the Company Code, and Large Mining Investment Act (Regime Special pour les Grands Investissements dans le Secteur Minier Malgache or "LGIM") which provides numerous incentives to private investments in the sector.

The Bank is financing Ambatovy Minerals Société Anonyme and Dynatec Madagascar Société Anonyme to support large-scale mining in Madagascar and the export of nickel and cobalt as well as fertilizer grade ammonium sulphate.

The project consists of 5 main components: Developing an open pit mine at Ambatovy along with an ore preparation plant; Constructing a 220 km ore slurry pipeline; Processing and locating metals refinery plants near Toamasina port; tailings facility near the processing and refinery plants; and Extending the Toamasina port.

Once completed, the project will increase government revenues; rehabilitate the mine site and the tailings facility; create direct business opportunities; and job opportunities; improve Infrastructure (energy production, water treatment, roads, rail and port enhancement); and promote HIV/AIDS awareness, roll-back malaria and provide training programs.

# Malawi

| | |
|---|---|
| Membership year | 1966 |
| Start of lending operations | 1969 |
| Number of Bank Group operations approved, 1967-2010 | 114 |
| Number of ADB operations approved, 1967-2010 | 20 |
| Number of ADF operations approved, 1974-2010 | 94 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 999.9 |
| Subscribed capital (%) as of December 31, 2010 | 0.297 |
| Total voting power (%) as of December 31, 2010 | 0.319 |
| Number of on-going operations | 10 |
| Total loan amount of ongoing operations in UA million | 148.8 |
| Number of newly approved operations | 4 |
| Total amount of newly approved operations in UA million | 16.6 |

# Presenting the Republic of Malawi

Malawi is a landlocked country in southeast Africa. It is bordered by Zambia to the northwest, Tanzania to the northeast, and Mozambique to the east, south and west. The country is separated from Tanzania and Mozambique by Lake Malawi. Its size is over 118,000 km2 with an estimated population of 13,600,000. Its capital is Lilongwe.

Malawi has weathered the impact of the global economic crisis relatively well. Estimated at 7%, growth in 2009 remained robust although slower than the 9.8% achieved in 2008. Strong maize and tobacco harvests, and the start of the uranium production helped anchor the economy's resilience. The strong agricultural performance was largely driven by good weather and the government's fertilizer subsidy for smallholder farmers who contribute 70% of agricultural GDP.

Malawi's financial sector is weakly integrated into the global financial system and this, to an extent, made the economy resilient to the global financial meltdown. In addition, the country's macro-economic policy performance has been generally consistent and strong, characterized by a robust domestic revenue performance which was estimated at 29.8% of GDP in 2009/10 and the recent institutional and administrative tax reforms.

Largely dependent on the agricultural sector, the services sector is increasingly becoming important, accounting for over 40% of GDP. Expansion in financial services as well as wholesale and retail trade will continue driving growth in the service sector. Different legislation related to banking, microfinance, insurance and the credit reference bureau were passed in November 2009 aimed at modernizing the financial sector.

At 53.5%, growth in the mining sector is expected to be strong as the Kayerekera uranium mine becomes fully operational in 2010. Uranium production in 2010 is projected at eight times the 2009 levels. The authorities are also hopeful that the niobium mining project at Kanyika will materialize in 2012 as scheduled. Annual niobium output is forecast at 3 times the scale of annual uranium output at peak production.

Malawi is one of the Least Developed Countries in the world, ranked 160 out of 182 countries in 2009 in the United Nations Human Development Index (HDI). Poverty remains one of the most important social challenges in Malawi. However, sustained economic growth and improved food security over the past five years have helped to reduce poverty. In 2009, 40% of Malawians lived in poverty, compared to 52% in 2005. However, the authorities report that the MDGs on achieving universal primary education, gender equality and women's empowerment and improving maternal health will be difficult to achieve.

At 12.1% in 2009, the HIV/AIDS prevalence rate was high, but it has declined from 15.3% in 2005. The number of patients on anti-retroviral therapy (ARVs) stands at 270,000 in 2009. The 2009 reports of ARV shortages and the supply of expired ARVs emphasize the need for better procurement management to ensure patient safety. Overall, the progress in health services delivery has seen maternal mortality falling from 984 per 100,000 in 2005 to 807 per 100,000 in 2008 and life expectancy at birth improving from 48 years in 2005 to 53.1 years in 2009.

# Statement by Mr. Frank Kufakwandi
# **Malawi Country Office Resident Representative**

The past decade has seen Malawi transformed from a food-deficit country with a fragile macro-economic environment to a food surplus and high performing economy. Real GDP growth rate improved from a stagnant growth of 0.7% in 2000 to 7.0% in 2009. The economy maintained growth rates of over 7.0% between 2006 and 2009. The Malawian government estimated that household food security rose from about 60% to 90% during the same period. The Farm Input Subsidy Program (FISP) introduced in 2005 for smallholder farmers, political will, donor support and favourable weather have been key to the economic rebound. The Bank welcomes the government's adoption of a Medium Term Action Plan for the FISP in 2010 to improve the program's implementation efficiency.

The beginning of the global financial and economic crisis presented a huge downward risk on Malawi's strong performance. However, consistent policy reform implementation between 2005 and 2008, coupled with a surplus maize production and the start of uranium exports in 2009 helped Malawi weather the crisis. Following the 2009 policy slippages, the approval of the Extended Credit Facility (ECF) by the IMF board in 2010 demonstrated the Malawian government's renewed commitment to policy reform and it helped to rebuild the private sector and donor confidence. During the slippage, the budget support framework gave the Bank and other development partners the opportunity to continue engaging with the government to bring the country back on track. Given that budget support remains a key instrument to improve public service delivery and to facilitate country dialogue, the government's request for continued support under the ADF-XII will receive the Bank's utmost attention.

Enjoying a strong and growing partnership with the Malawian government, the Bank is proud to be associated with the country's progress. Aligning with the Malawi Growth and Development Strategy (MGDS) priorities, the Bank's strategic focus has, in complimentarity with other development partners, been to support rural infrastructure, particularly irrigation, transport and water and institutional and human capital development, especially secondary education and health. A completion report on the Bank's Country Strategy Paper in 2010 showed that Bank interventions in project areas have, among other key results, helped to improve water access coverage from an average 35.5% to 88.4%, increased maize productivity from 1.0 ton/ha to 3.5 tons/ha and improved community secondary school pass rates from 38% to 44%. The Bank will continue to strengthen the Malawian government's leadership and ownership of the development agenda. To ensure alignment with the second MGDS scheduled for approval in 2012, the Bank is preparing an Interim Country Strategy Paper to cover the 2011-2012 transition period.

The opening of the Malawi Country Office in 2007 under the Bank's decentralisation program has helped to improve the quality of country dialogue, the pace of project implementation and the Bank's visibility. The number of harmonized operations has increased to 5 in 2010 from 1 in 2004. Overall portfolio performance has improved from 2.0 in 2006 to 2.3 in 2010. Being closer, the Bank is able to respond quickly to the country's needs. Between 2008 and 2010, the Bank supported the FISP budget gap following high global fertilizer prices, co-financed Malawi's housing and population census and frontloaded budget support following weak export performance. Benefiting from country presence, the Bank coordinated a strong ADF-XI lending program, achieving a 97% commitment by June 2010. Collaborative analytical work, including the Country Economic Memorandum (CEM) in 2009, has helped to strengthen partnerships with other development partners, reduced transaction costs for the Malawian government, and it has been instrumental in informing policy dialogue and potential interventions.

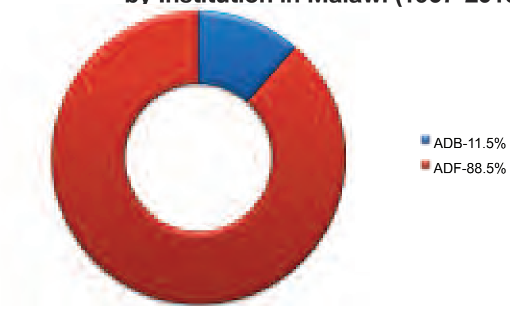
The Bank recognises that key challenges remain to sustain Malawi's high economic growth rate and accelerate poverty reduction. Going forward, under the ADF-XII, the Bank will continue to intervene in irrigation infrastructure to help address the country's vulnerability to weather shocks and low agricultural productivity. Through on-going discussions to establish lines of credit with commercial banks and direct support to the private sector, the Bank aims to complement the Malawian government's on-going reforms in the private and financial sectors in order to improve the business environment. The second and third phase of the Multinational Nacala Road Development Corridor will continue so as to further strengthen regional integration. The proposed feasibility study for the Shire Zambezi Water Way Program will help determine the viability of the program which is aimed at improving Malawi's competitiveness and that of other participating countries. The Bank further plans to support feasibility studies for hydropower generation to help Malawi address energy problems considered one of the key constraints on growth. A pipeline project on Integrated Natural Resource Management has been agreed with Malawi in recognition of the potential impact of climate change on the country's economy.

The Bank and the Malawian government have agreed that the next Bank strategy under ADF-XII should strengthen its focus on irrigation and regional transport infrastructure, and deepen its support for private sector development to help the government broaden its export base in addition to addressing cross-cutting issues of gender, population growth, institutional capacity and climate change. The Bank will closely work with other development partners in assisting the government address the aforementioned challenges by channeling resources through budget support and sector-wide approaches.

# Overview of Bank Group Operations in Malawi

Bank support to Malawi began in 1969 and by the end of 2010, 114 operations had been financed. The cumulative portfolio is largely financed through the ADF window (88.5%) and approvals from the non-concessional ADB window accounted for 11.5%.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Malawi (1967-2010)**

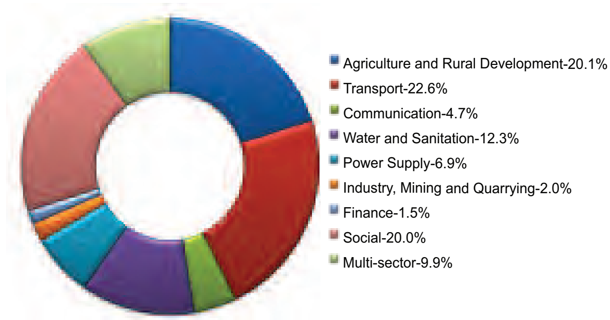



Source: AfDB Statistics Department, Economic and Social Statistics Division

The sectoral distribution of the cumulative approvals in Malawia as of December 31, 2010, was as follows: UA 351.74 million for infrastrcture (46.5%); UA 152.17 million for agriculture and rural development (20.1%); UA 151.21 million for the social sector (20.0%); UA 74 million for multisector (9.9%); UA 15.16 million for industry, mining and quarrying for (2.0%); and UA 11.5 million for finance (1.5%).

Cumulatively, the Bank Group has also made other approvals estimated at UA 243.38 million for debt reductions through the HIPC initiative, loan reallocations and emergency assistance to the country.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Malawi (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Infrastructure Sector

Malawi is deficient in many forms of infrastructure. Roads dominate the transport sector, accounting for 85% of total transport operations. The low number of tarred roads, poor rail infrastructure and dilapidated port facilities hamper the movement of goods in Malawi. To address these challenges, the government, in 2001, initiated transport policy reforms that resulted in the creation of the National Roads Authority and the privatisation of Malawi railways.

With regard to the energy sector, Malawi's electricity supply is inadequate and unreliable to meet domestic demand. Plans are underway to enhance electricity supply in order to stimulate private sector development, support economic activities and improve the population's living conditions.

Malawi's water and sanitation sector landscape is characterised by an uneven distribution of resources, poor coordination and fragmented institutional arrangements. Given the sector's importance, widespread donor funding has introduced broad reforms and built capacity by: establishing regional water boards; developing a district-based, community-managed approach to rural water supply and sanitation; and establishing a water resources management board. It is estimated that 51% of the rural population and 69% of the urban population have access to clean water.

The Bank Group has supported the infrastructure sector by constructing and rehabilitating roads, providing potable water and improving sanitation for the country's rural communities. The Bank's cumulative portfolio in the country's infrastructure sector comprises 43 operations for UA 351.74 million.

## Agricultural and Rural Development Sector

Malawi is highly dependent on agriculture. The sector contributes, on average, 40% of GDP, accounts for 75% of total export earnings, and generates income for 84% of the population. Its significance, notwithstanding, the sector is still adversely affected by poor weather, low productivity, limited investments, limited rural credit, inappropriate land tenure system, inadequate infrastructure and poor marketing institutions.

To help Malawi with its agricultural and rural development efforts, the Bank Group has financed projects that have increased productivity and improved the rural incomes of smallholder farmers. The provision of irrigation infrastructure and use of fertiliser have been the main drivers of the gains in productivity and increases in household incomes. The Bank has, so far, approved loans and grants amounting to UA 152.17 to Malawi's agricultural and rural development sector.

## Social Sector

Poverty is widespread in Malawi and its social indicators are among the lowest in the world - some 40% of Malawians live below the poverty line. Furthermore, several human development indicators suggest insufficient and poor quality education and health care as well as HIV/AIDS prevalence which demonstrate the enormity of the challenges.

On a positive note, the country's authorities reported that progress in health services delivery has more than halved child mortality between 1995 and 2010, reduced maternal mortality and improved life expectancy at birth, improving from 48 years in 2005 to 53.1 years in 2009.

To further support the country's government, the AfDB has cumulatively approved UA 151.21 million to the social sector, accounting for 20% of the total historical approvals for the country. These projects have, to an extent, strengthened human skills and institutional capacities through improved education and health services.

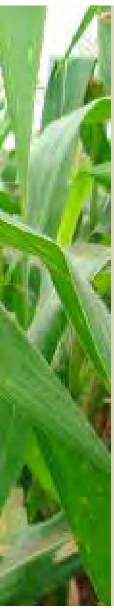
# Bank Group Strategy & Ongoing Activities in Malawi

The 2005-2009 Results-Based Country Strategy Paper for Malawi is anchored on the country's second-generation Medium Term Poverty Reduction Strategy and the Malawi Growth and Development Strategy.

The RBSCP was designed to respond to Malawi's key development challenges such as widespread poverty, food insecurity, unemployment, limited export growth, and a capacity skills gap. It seeks to help the government and the private sector in addressing these development challenges by focusing on two mutually reinforcing strategic pillars: expanding rural infrastructure, and developing human capital and institutional capacity.

The mid-term review results conducted in 2008 showed that the Bank's interventions had positively contributed to the RBCSP with positive progress in over 70% of outcome indicators. The review recommended that the two pillars remain the same for the remaining period, with greater focus on transport, irrigation and water infrastructure, tertiary education and budget support to enhance the Bank's response to government priorities.

The review further called for enhanced focus on private sector development to respond to the government's desire to cement macro-economic stability, economic growth and poverty reduction.

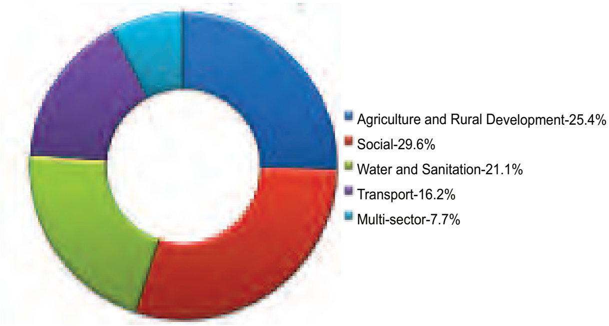


**Recently approved and on-going operations in Malawi**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Agricultural Infrastructure Support Project | Agricultural and Rural Development | September, 2009 | 15.0 |
| Smallholder Crop Production and Marketing | Agricultural and Rural Development | July, 2006 | 15.0 |
| Lake Malawi Artisanal Fisheries Development | Agricultural and Rural Development | January, 2003 | 7.8 |
| Trunk Road Rehabilitation Blantyre-Zomba | Transport | May, 2009 | 24.10 |
| Support to Local Economic Development | Social | September, 2008 | 14.0 |
| Support to Secondary Education V | Social | June, 2006 | 15.0 |
| Support to Health Sector Program | Social | November, 2005 | 15.0 |
| Support to Secondary Education IV | Social | November, 2001 | 15.0 |
| Governance and Poverty Reduction Support Grant II | Multi-sector | April, 2010 | 11.5 |
| National Water and Development Program | Water and Sanitation | July, 2008 | 29.2 |

As of December 31, 2010, the Bank's active commitments to Malawi amounted to UA 148.8 million. Current interventions are dominated by the infrastructure sector, which accounts for 37.3% of on-going operations, 29.6% went to the social sector; 25.4% to the agricultural and rural development sector and 7.7% to multi-sector operations.

**Structure of the current portfolio by Sector in Malawi**




AfDB interventions are mainly in the agricultural and rural development, social, transport and water, and sanitation sectors. The major characteristics, achievements and expected outcomes are demonstrated by the following projects: Agriculture Infrastructure Support Project, Trunk Road Blantyre-Zomba, National Water Development Program and Support to Local Economic Development.

**Agriculture Infrastructure Support Project:** In the Malawi Growth and Development Strategy (MGDS), the Malawian government has identified agriculture as the engine of growth and poverty reduction. More specifically, the Malawian government has recognized land and water resources management as a priority in agricultural development. The project is thus a direct response to the government's desire to enhance agricultural productivity by promoting irrigated agriculture in the country. The project serves as a follow-up to the recently completed Bank-financed Smallholder Out-grower Sugarcane Project (SOSP) and Smallholder Irrigation Project (ShIP). The project aims at enhancing water use efficiency and productivity in designated areas.

The project has 3 components: infrastructure development; capacity building; and project management and coordination.

The project is posting the following results: increase in farm yields; increase in marketed agricultural produce to national and regional markets by smallholder farmers; and enhanced capacity for farmers and extension staff in irrigated agriculture.

**Trunk Road Rehabilitation Blantyre-Zomba:** The Malawi Growth and Development Strategy (MGDS-2006-2011) identifies infrastructure development and rehabilitation as one of the five themes for poverty reduction. It recognises transport infrastructure development as one of the six key priority focus areas on which quick progress must be made to accelerate the attainment of MGDS objectives.

The Bank's intervention is consistent with the country's aspirations to improve transportation services. The Blantyre-Zomba road is part of Route 29 of the SADC Regional Trunk Road Network linking southern Malawi to the northern part of the country and further north to the border with Tanzania. The project will improve the quality of transport services on the Blantyre-Zomba road and improve accessibility for local communities to markets and social and economic services. It will also improve transport services between Ntcheu-Neno-Tsangano and Mwanza whose feasibility study and detail design as part of the trunk road rehabilitation program is being funded by the Bank.

The Bank's intervention also includes developing the institutional capacity of the executing agencies to enhance knowledge and ensure long-term sustainability of the infrastructure, thereby safeguarding the investment.

To enhance and integrate project benefits, the Bank's intervention in the development of the Nacala road corridor is a holistic approach that complements the Blantyre-Zomba and Ntcheu-Mwanza projects, each linked to the corridor.

The project components comprise: civil works for rehabilitation and widening of the road; design review, pre-contract and supervision services; public awareness for road safety; implementation of environmental and social management plan, compensation resettlement; preparation of feasibility and detailed engineering design studies; institutional capacity building, and financial and technical audits.

The project is achieving the following outcomes: reduced travel time by 33% from 1.5 hours in 2006 to 1 hour in 2013; reduced vehicle operating costs; and increase in the percentage of the road network in good condition in the 3 districts.

**National Water Development Program:** The project will ensure the sustainable provision of adequate water supply and sanitation services to the country's urban and rural areas. Furthermore, it will also establish a national authority to efficiently manage the country's water resources.

The program consists of the three following components: constructing and rehabilitating water supply systems and sanitation facilities; managing water resources; and providing program management and capacity building.

The project is achieving the following outcomes: improved access to water supply and sanitation, particularly in rural areas; increased reliability of urban and semi-urban water supply services; improved sanitation and hygiene; and enhanced capacity of the national water authority responsible for the management of water resources.

# Mauritius

| | |
|---|---|
| Membership year | 1974 |
| Start of lending operations | 1975 |
| Number of Bank Group operations approved from 1967-2010 | 36 |
| Number of ADB operations approved from 1967-2010 | 30 |
| Number of ADF operations approved from 1974-2010 | 3 |
| Cumulative Bank Group Approvals in UA million from 1967-2010 | 753.49 |
| Subscribed capital (%) as of December 31, 2010 | 0.646 |
| Total voting power (%) as of December 31, 2010 | 0.661 |
| Number of on-going operations | 7 |
| Total loan amount for ongoing operations in UA million | 463.89 |
| Number of newly approved operations | 1 |
| Total amount of newly approved operations in UA million | 0.3 |

# Presenting the Republic of Mauritius

The Republic of Mauritius is an island nation off the southeast coast of the African continent in the southwest Indian Ocean, about 900 kilometres (km) east of Madagascar. In addition to the island of Mauritius, the country includes the islands of Cargados Carajos, Rodrigues and the Agalega Islands. Mauritius covers 2040 km2 with Port Louis as its capital.

Since the outbreak of the global financial crisis, government policy has been to press ahead with reform, diversification and stimulus spending while preparing the economy for a possible global recovery. The objective is to make the country more resilient to external shocks and to increase its competitiveness in global markets. A key element is the increased focus on higher value-added services such as information and communications technology.

The 2009 Gross Domestic Product (GDP) growth of 2.8% was well below the previous year's 5.1% despite substantial government stimulus measures, reflecting a sharp fall in external demand for textiles and tourism services following the global economic crisis, especially in European countries, Mauritius' main trading partners. Tourist arrivals in 2009 were down to 6.4% to around 870,000, but earnings fell by 13.4% to US$ 1.2 billion. Growth is expected to pick up to 4.2% in 2010 and 4.7% in 2011 with the anticipated global economic recovery and the government's fiscal and monetary stimulus package.

Mauritius' gross foreign direct investment mainly goes to tourism, real estate and the financial services sector. Mauritius remains one of the few African countries whose international reserves still remain strong, despite some outflows in late 2009. Its domestic banks are profitable, well-capitalized and liquid. Government measures helped limit job losses in 2009, with unemployment increasing only marginally to 7.4% from 7.2% in 2008.

In the 2009 United Nations Human Development Report, Mauritius was ranked 81 out of 182 countries based on 2007 data, but its Human Development Index (HDI) score made it the third highest in Africa after Libya and the Seychelles.

Mauritius is on its way to attaining the Millennium Development Goals (MDGs). It has a low infant mortality rate of 14.6 per 1,000 births in 2009, well below the average of 83.9 for the continent and 51.4 for developing countries. Similarly, the under-five mortality rate (per 1,000) is estimated at 14, among the lowest rates in the world. The maternal mortality ratio (per 100, 000 live births) is 15.

The country's life expectancy is 72.1 years compared with 54.5 years for Africa, 65.7 years for developing countries and 77.1 years for developed countries. The percentage of adults (aged 15-49) living with HIV/AIDS stood at 1.7% in 2008. The population with access to water and sanitation is 100% and 94%, compared to African averages of 68% and 37.6%, respectively.

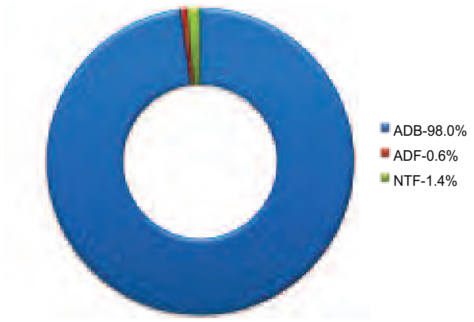
Mauritius enjoys full primary school enrolment ratio and a 73% rate in secondary education, compared to 43.5% for Africa as a whole. Tertiary education enrolment is 41% while the adult literacy rate is 87.4%.

Poverty levels in Mauritius are low, but have risen slightly in recent years. People living below the poverty line were estimated at 8.7% of the population in 2006/07, up from 7.8% in 2001/02.

# Overview of Bank Group Operations in Mauritius

Since its inception, the Bank Group has approved 38 operations in Mauritius, amounting to UA 753.49 million. The distribution of interventions by window is as follows: 98.0% from the ADB window; 1.4% from the NTF; and 0.6% from the ADF window.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Mauritius (1967-2010)**

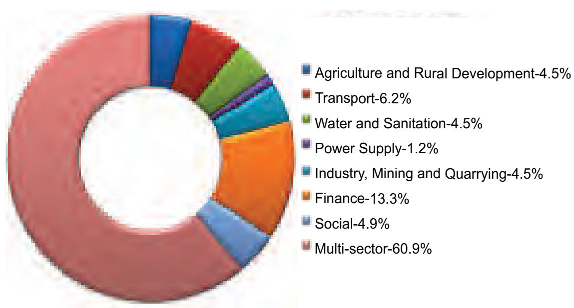



Source: AfDB Statistics Department, Economic and Social Statistics Division

As at the end of December 2010, the AfDB's cumulative approvals for Mauritius were mainly covered by multi-sector operations, which represented 60.9% of the portfolio, followed by the finance sector that accounted for 13.3% of the resources.

Bank Group interventions in the infrastructure sector - water and sanitation, power supply and transport - accounted for 11.9%, the social sector accounted for 4.9%, while the agricultural and rural development sector, the industry, mining and quarrying took up 4.5% each of the historical approvals.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Mauritius (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Multi-sector operations

Launched in 2005, aggressive market reforms supported by all of Mauritius' development partners invigorated economic growth¬ – at above 5% annual average during the 2006-2008 period, lowered unemployment to 8% in 2008, increased private investment to 22% of GDP, reduced the overall fiscal deficit to 3.4% of GDP in 2007/08 from a peak of 5.4% in 2005/06 and decreased public sector debt from about 69% in 2005/06 to 62% of GDP in 2007/08, of which only 9% of GDP corresponds to external debt.

Following the global economic downturn, the government of Mauritius is carrying out several reforms to control government spending, including restructuring parastatals and implementing program-based budgeting (PBB) to improve its expense management. These will be delivered through the Competitiveness and Public Sector Efficiency Program (CSPE) designed to sustain economic growth and employment, while keeping the momentum on long-term reforms to make Mauritius more competitive.

The Bank Group approved a UA 437.31 million loan and a UA 0.3 million grant to partly fund the CSPE with a view to: (i) financing the fiscal gap caused by the global slowdown and the fiscal stimulus package to counteract its impact on the economy; and (ii) restructuring Mauritius' public debt to reduce a rollover risk in a time of reduced liquidity, gradually moving from the current profile of short-term, expensive domestic debt towards more affordable long-term external debt.

## Financial Sector

Over the years, Mauritius has provided incentives to facilitate the emergence of new activities within the sector such as leasing companies, stock-exchange and offshore banking to further consolidate the tertiary sector.

Mauritius' financial system is relatively well-developed, comprising a diversified network of local and foreign banks as well a significant number of non-financial institutions. The financial sector accounts for about 10% of GDP, spurred by the government strategy of turning Mauritius into a regional financial hub.

Furthermore, in 2006, the country's government set up an Empowerment Fund to provide equity capital to start-ups from Rs. 300,000 to Rs. 3 million. Below that amount, the Development Bank of Mauritius (DBM) now operates a special window for SMEs to provide working capital and other short-term finance in the form of micro-loans of Rs. 50,000 to Rs. 300,000. More programs were implemented to support small businesses in preparing a business plan, filing statutory returns and complying with various health, fire and environmental regulations.

The Bank Group has supported Mauritius' financial sector through the provision of lines of credit to the Development Bank of Mauritius for on-lending to small –medium enterprises, in addition to financing the expansion of its operational base which enhanced its activities as a development finance intermediary. So far, the Bank has approved 5 operations to the tune of UA 13.4 million, accounting for 13.3% of entire approvals.

## Infrastructure Sector

Mauritius has a well-developed and extensive transport system. The country's transport sector policy is aimed at establishing an efficient transport system to optimise the use of resources and the promotion of regional integration and, in so doing, improve the population's standard of living.

Approximately 99.6% of the country's population has access to piped water supply. Most of the people are supplied through house connections, while a small number is served by yard taps, and only very few are dependent on public fountains. In contrast, only 26% of the Mauritian population is connected to the public sewer network. The remaining 74% uses on-site waste-water disposal systems.

Mauritius has set out to maintain the integrity of its water resources, including both ground and surface water. The government has therefore designed programs that will effectively address sources of pollution, including waste-water generated from domestic, institutional and industrial enterprises to promote sustained economic growth.

To further consolidate the gains in the sector, the government is now focused on a full range of infrastructure projects in an ambitious MUR 172.2 billion public sector investment program.

To support Mauritius' infrastructure sector, the AfDB has provided loans and grants worth UA 89.45 million to undertake infrastructure sector studies and to rehabilitate and construct roads in the country.

# Bank Group Strategy & Ongoing Activities in Mauritius

The AfDB's assistance strategy in Mauritius for the 2009-2013 period is closely linked to the country's national development priorities as set forth in the "Vision 2020: The National Long-Term Perspective Study".

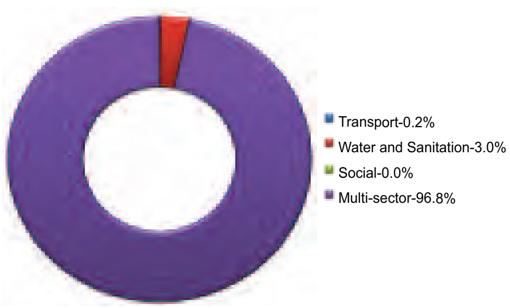
The Bank's objectives of getting involved in the country over the 2009-2-2013 period include: Reducing structural bottlenecks to competitiveness and trade with the aim of ensuring sustained long-term growth; and Enhancing public sector efficiency and basic social service delivery with the aim of sustaining and consolidating reform achievements. Active operations mirror its strategy.

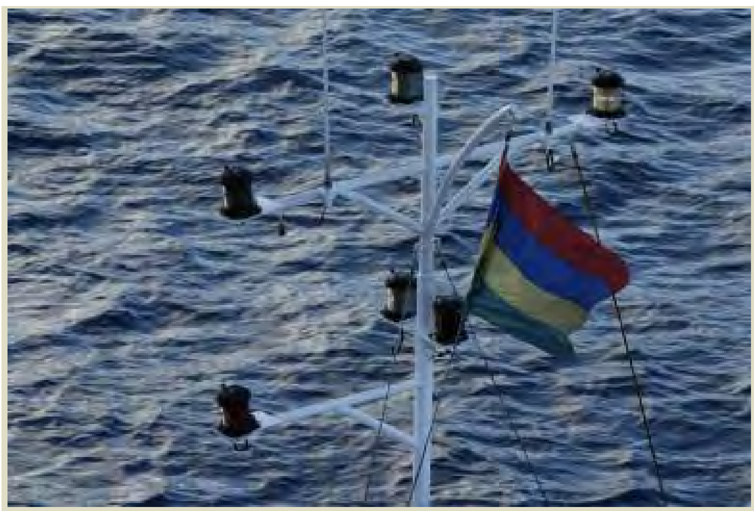
**Recently approved and on-going operations in Mauritius**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Health Sector Review | Social | July, 2008 | 0.172 |
| Review of Outline Planning Schemes for Municipal Council Areas/Land Transport Authority | Transport | July, 2007 | 0.733 |
| Wastewater Master Plan Study | Water and Sanitation | June, 2009 | 0.56 |
| Plaines Wilhems Sewerage Project | Water and Sanitation | June, 2007 | 13.72 |
| Competitiveness and Public Sector Efficiency Program (CSPE) | Multi-sector | September, 2008 | 448.71 |

The Bank's current portfolio in Mauritius comprises 5 ongoing operations for UA 463.89 million. The main sectors in the active portfolio are multi-sector (96.8%), water and sanitation (3.0%), while  the transport and the social sectors account for the rest.

**Structure of the current portfolio by sector in Mauritius**



Major operations in Mauritius are currently in the multi-sector as well as the water and sanition sector. The key features and achievements of two operations are highlighted in the following section: Plaines Wilhems Sewerage Project and the Competitiveness and Public Sector Efficiency (CSPE).

**Plaines Wilhems Sewerage Project:** The specific objective of the project is to ensure environmentally appropriate collection and disposal of sewerage and sludge from the Plaines Wilhems District, thereby increasing environmental protection.

The project comprises the following components: the construction of new sewage treatment plant at St. Martin; the construction of trunk sewer; and the construction of sewer reticulation system and house connections.

The project is posting the following results: reduced health risk, enhanced economic growth, and a contribution to the attainment of MDGs on child mortality, maternal health and environmental sustainability; reduced pollution of coastal and water-borne diseases; and increased household connectivity to sewerage network.

**Competitiveness and Public Sector Efficiency Program (CPSE):** The Bank's first Development Budget Support Loan (DBSL-I) program helped Mauritius to achieve macro-economic stability; consolidated fiscal performance and improved public sector efficiency; enhanced trade competitiveness; improved the investment climate; and democratized the economy through participation, social inclusion and sustainability.

The recent global economic downturn and financial crisis threatened to undermine Mauritius' economic progress. As part of the remedies, the Bank Group is partially financing the CPSE with a view to: (i) underwriting the fiscal gap originated by the global slowdown and the fiscal stimulus package to counteract its impact on the economy; and (ii) restructuring Mauritius' public debt to reduce a rollover risk in a time of reduced liquidity, gradually moving from the current profile of short-term, expensive domestic debt towards more affordable long-term external debt. Specifically, the program objective is to consolidate fiscal performance and strengthen public social service delivery, enhance trade competitiveness, and improve the investment climate. The CSPE components include: consolidating fiscal performance and improving public sector efficiency; enhancing trade competitiveness; and improving the investment climate.

The project is consolidating fiscal performance and strengthening public social service delivery; as well as enhancing trade competitiveness with growth in exports.

# Mozambique

| | |
|---|---|
| Membership year | 1976 |
| Start of lending operations | 1977 |
| Number of Bank Group operations approved from 1967-2010 | 112 |
| Number of ADB operations approved from 1967-2010 | 16 |
| Number of ADF operations approved from 1974-2010 | 93 |
| Number of NTF operations approved from 1976-2010 | 2 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 1301.46 |
| Subscribed capital (%) as of December 31, 2010 | 0.631 |
| Total voting power (%) as of December 31, 2010 | 0.646 |
| Number of on-going operations | 20 |
| Total loan amount of ongoing operations in UA million | 362.30 |
| Number of newly approved operations | 2 |
| Total amount of newly approved operations in UA million | 44.4 |

# Presenting the Republic of Mozambique

The Republic of Mozambique is bordered by the Indian Ocean to the east, Tanzania to the north, Malawi and Zambia to the northwest, Zimbabwe to the west and Swaziland and South Africa to the southwest.

Mozambique weathered the global financial crisis relatively well, maintaining strong economic growth rates of 6.4% in 2009 and 7.2% in 2010. The limited exposure of the country's banking system to international financial markets and the easing in macroeconomic policies helped to sustain economic growth and minimize the direct impact of the global crisis in the economy. Real GDP is expected to accelerate to 7.5% in 2011, well above growth in peer countries, driven by a recovery in external demand and strong economic activity in primary and tertiary sectors.

In 2010 the country completed the implementation of its second Poverty Reduction Strategy Paper (PARPA, 2006-2010), whose major pillars were: (1) economic growth and poverty reduction, (2) governance, (3) human development, and (4) cross-cutting themes, i.e. HIV/AIDS and malnutrition. Significant progress has been achieved in delivering basic services such as water, education and health. However, national poverty rates did not register significant changes between 2003 (54.1%) and 2009 (54.7%) despite massive foreign aid that was channelled to the country over this period. The new Poverty Reduction Strategy (2011-2014), tentatively scheduled for finalization in March 2011, is expected to address major country-specific development challenges; in particular, the need for raising agriculture production and productivity, promoting growth and employment opportunities, and redoubling efforts to tackle malnutrition and develop social safety nets.

The economy's structure has changed significantly in recent years but the productive base remains narrow, and is focused on subsistence agriculture and a few isolated mega-projects. The mega-projects have also enabled positive market growth impacts but also increased the country's dependency on external factors and consequent vulnerability to international markets, while failing to deliver sufficient linkages to the rest of the economy. Agriculture, which employs about 78 percent of the economically active population, accounted for 24 percent of GDP in 2009, followed by manufacturing at 13 percent (mostly accounted for by one large aluminum smelter - MOZAL); trade and retail services at 14 percent; transport and communications at 9 percent; financial services at 5 percent; and extractive industries at one percent.

Mozambique boasts great potential in the mineral resources sector and key related investments include the USD 1.26 billion coal mines project by Vale and USD 800 million investment by Riversdale in Moatize and Mbenga, Center Mozambique; Mpanda Nkuwa Hydropower Dam, Titanium minerals in Moma, Nampula; Alluminum Smelter (MOZAL) and Gas production by SASOL. Oil prospection is underway and recently the American company Anadarko found evidence of presence of significant Oil reserves in the Rovuma Basin.

Mozambique moved up from 140th to 135th position in the 2010 World Bank's "Doing Business" report thanks to significant reforms in business registration and trading across borders. Despite rapid GDP growth, the country remains among the poorest on the continent. Overall, development indicators have improved in recent years, but challenges remain daunting, such as improving the quality of education and health services and the fight against HIV/AIDS.

# Statement by Ms. Alice Hamer
# **Mozambique Country Office Resident Representative**

Mozambique has achieved impressive economic performance in the past few years due to sound fiscal and macroeconomic policies that have been pursued by the Government over the past twenty years. This macroeconomic stability has contributed to high GDP growth averaging 7.8% per annum over the past decade. In spite of the global economic slowdown, Mozambique's economy has continued to grow at high rates, registering a robust 6.4% in FY 2009, although below Government's estimate of 7%. Real GDP growth is projected to be at 7.5% in FY 2011. This strong projected performance is contingent upon sustained investment in interventions that contribute to increased productivity and easing the cost of doing business. This will necessitate addressing the most binding constraints to economic growth – particularly energy, roads and private sector access to credit, improving public sector efficiency and addressing corruption. Rising inflationary pressures also present challenges to Mozambique's macroeconomic stability goal.

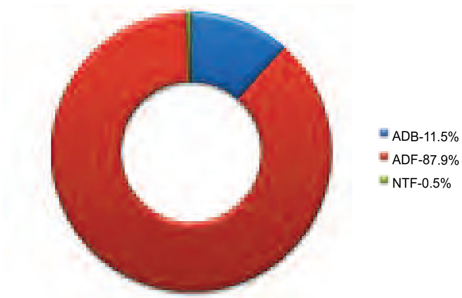
The African Development Bank Group, in collaboration with other development partners, continues to meaningfully contribute to the Government of Mozambique's efforts to eradicate poverty and promote economic development. More than 112 operations - valued at over UA 1.3 billion (US$1.95 billion) – that have been approved by the Bank Group since commencement of operations in Mozambique in 1977, have comprised investment projects in the public and private sectors, policy-based programs, as well as human and institutional capacity development programs. The Bank Group has also supported Mozambique's regional integration efforts through interventions in the power, transport, and agriculture sectors. In line with the Government's Plan for Poverty Reduction (PARPA, 2006-2010), and its successor, the 4-year Action Plan for Poverty Reduction (PARP, 2011-2014) currently in preparation, the Bank Group will position itself to align its next Country Strategy (CSP, 2011-2014) to focus on governance reforms as well as improving the country's infrastructure to enhance production and productivity in agriculture, increase the country's competitiveness and capacity for employment creation and income generation. In addition, the Bank is also cognizant of its need to improve upon the principles of the Paris Declaration through increased use of country systems and harmonization and alignment of interventions with other development partners. Support to human development needs aimed at meeting the Millennium Development Goals (MDGs) will also constitute a priority moving forward. These interventions are expected to contribute to the alleviation of critical infrastructure bottlenecks and skills gaps, thus assisting in the vibrancy and efficiency of the private sector.

The capacity and effectiveness of the Mozambique Field Office continue to be central to ensuring that Bank Group supported operations in Mozambique contribute maximally to country's development aspirations. The improved Mozambique Field Office staffing and the increasing delegation of authority to Field Offices will continue to contribute positively to improvements in project implementation, supervision and monitoring, as well as the reduction in response times for processing Government requests, especially procurement and disbursement dossiers. These are expected to lead to realization of timely and sustained development results from Bank Group interventions in Mozambique.

# Overview of Bank Group Operations in Mozambique

The Bank Group has, since 1977, approved 112 operations in Mozambique, amounting to UA 1,301.46 million. These interventions have been funded by resources from the three windows. ADF resources account for 87.9% of all the approvals, ADB resources account for 11.5%, while NTF resources account for 0.5%.

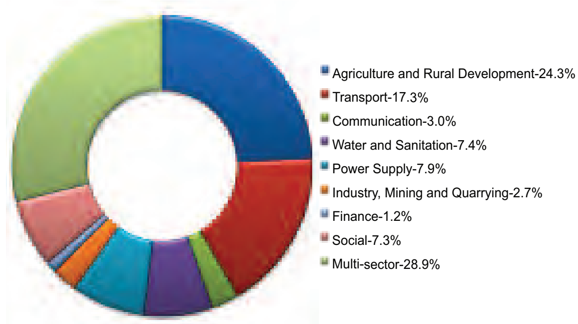
**Cumulative Bank Group Loan and Grant Approvals by Institution in Mozambique (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

Cumulatively, the interventions have targeted several sectors with the infrastructure sector - transport, communication, water and sanitation and power supply - receiving the largest proportion of the resources, representing 24.3% of overall commitments to Mozambique. This is followed by multi-sector operations which account for 28.9% of the approvals, agriculture and rural development account for 24.3%, the social sector accounts for 7.3%, industry, mining and quarrying account for 2.7%, while finance accounts for 1.2%.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Mozambique (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Multi-sector Operations

The Mozambique government embarked on a series of substantial economic and economic governance reforms to lay the foundations for economic growth and poverty reduction. Most notable was Mozambique's "Reduction of Absolute Poverty" which focused on improving governance, enhancing human capital and fostering sustainable economic development.

To help the country pursue its development programs, the AfDB has provided budget support loans to Mozambique. To date the Bank Group has financed 10 operations for UA 324.85 million which have helped the government implement institutional reforms. These reforms have, to an extent, provided the country with a suitable economic and social infrastructure to address the main challenges to private sector development.

## Infrastructure Sector

Despite significant investment by government and donors aimed at improving the country's infrastructure network shortfalls exist, particularly in rural and semi-rural areas, which constitutes a major constraint to poverty reduction in Mozambique and ultimately is a barrier to sustainable economic growth. Progress has been registered in access to basic services, and as a result the proportion of population with improved access to water increased from 41% to 60% in urban areas and from 37% to 54% in

rural areas, between 2006-2009. Positive results were also achieved in terms of sanitation, with the proportion of population with access to improved sanitation having increased from 38% to 50% in urban areas, and from 35% to 40% in rural areas. Access to electricity nearly doubled during the past 5 years, and the sector has achieved the target in terms of new domestic electricity connections with current total number of new connections to the national grid standing at 760.000 households. This has contributed to increase the electricity access rate from the baseline value of 7% in 2005 to 14% in 2009.

Mozambique has one of the least developed road infrastructure networks in Southern Africa, with a road density of less than 0.02 km/m2 and 0.86 per capita, against 0.2 km/m2 and 36 km per capita for developing countries. Improvements in the national roads network reduce transport costs and travel time. In 2009 71% of road network was reported as being in good or reasonable conditions which was still below the target of 75% set by the authorities. In collaboration with development partners, the government has made significant investments in the sector to foster regional integration and provide access to basic social services to the rural population.

Since 1977 the Bank Group has approved 35 operations in the infrastructure sector (transport, communication, water and sanitation and power supply) for a total amount of UA 378.30 million. These projects have improved rural access to markets for farmers, increased access to safe drinking water, supported institutional development for sanitation, solid water and solid waste awareness programs and rehabilitated and extended the national power grid to promote investments in the country.

## Agriculture and Rural Development Sector

In 2009 Mozambique's agricultural production accounted for 24% of the country's GDP. The majority (78%) of the population is involved in the agricultural sector, with 90% of this number made up of women. Although agricultural and rural development growth has been increasing by 6% a year on average, over the last 10 years, in 2009, significant proportion of the population (35%) was still facing food insecurity. In order to significantly improve the welfare in rural areas, the government needs to step up efforts so as to increase the growth of the agricultural sector.

To support Mozambique with its agricultural and rural development endeavours, the Bank Group has financed a range of projects, including crop production, livestock, forestry, artisanal fishery and rural finance. So far the Bank has approved 34 operations worth UA 288.42 million, which have helped increase household incomes and food security, increase farm production and improve the processing of cash crops such as cashew, tea, citrus and sugar cane.

# Bank Group Strategy & Ongoing Activities in Mozambique

In October 2010, the Bank completed its 2006-2010 Country Strategy Paper (CSP) that prioritized interventions in two main strategic pillars, namely; governance and infrastructure.

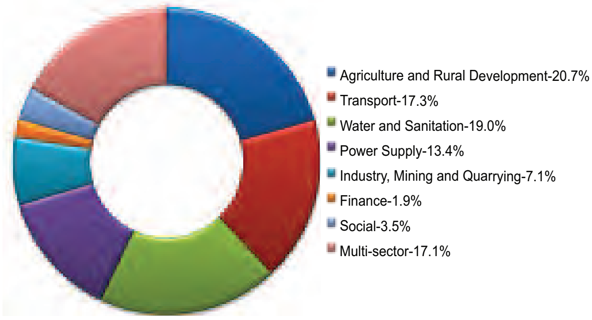
The strategy specifically aimed at: scaling up financial resources through budget support and project financing in support of good governance and increased economic infrastructure; improving the current portfolio's performance; helping with capacity building; increasing policy dialogue, underpinned by economic and sector analytical work; and enhancing coordination and harmonization with development partners.

**Recently approved and on-going operations in Mozambique**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Massingir Dam and Smallholder Agricultural Rehabilitation Project (Supplementary Loan) | Agricultural and Rural Development | May, 2007 | 17.0 |
| Rural Finance Intermediary Support Project | Agricultural and Rural Development | November, 2003 | 15.36 |
| Artisanal Fisheries Development Project | Agricultural and Rural Development | November, 2001 | 15.90 |
| Family Sector Income Enhancement Project | Agricultural and Rural Development | October, 2000 | 13.46 |
| Poverty Reduction Support Loan II | Multi-sector | October, 2008 | 60.0 |
| Institutional Support for Public Sector Reform | Multi-sector | May, 2005 | 2.13 |
| Electricity IV Project | Power Supply | September, 2006 | 26.30 |
| Energy Reform and Access Program | Power Supply | November, 2003 | 10.98 |
| Rural Electrification Project III | Power Supply | September, 2001 | 11.12 |
| Women's Entrepreneurship and Skills Development | Social | January, 2006 | 2.51 |
| Education IV Project | Social | September, 2001 | 10.00 |
| Supplementary Loan to Montepuez-Lichinga | Transport | October, 2010 | 32.65 |
| Montepuez-Lichinga Road | Transport | October, 2006 | 30.10 |
| Urban Water Supply and Sanitation Support | Water and Sanitation | December, 2005 | 21.37 |
| Integrated Water Supply and Sanitation Project | Water and Sanitation | December, 2000 | 16.77 |
| Moamba IT Park | | | 0.28 |
| Integrated Study for Cofamosa Project | | | 1.07 |
| EITI – Extractive Industry Transparency Initiative | | October, 2010 | 0.26 |

As of December 2010, the Bank's ongoing portfolio in Mozambique had 18 operations, representing nearly UA 362.30 million. The current portfolio shows that the infrastructure sector accounts for 49.7% of the financing to Mozambique. This is followed by agriculture and rural development and multi-sector operations, representing 20.7% and 17.1%, respectively. The rest goes to industry, mining and quarrying (7.1%), the social sector (3.1%) and finance (1.9%).

**Structure of the current portfolio by Sector in Mozambique**




The two main current operations in terms of value are in multi-sector operations and the transport sector. The key features and outcomes of these interventions - the Supplementary Loan to Montepuez-Lichinga and the Poverty Reduction Loan II - are discussed below.

Supplementary Loan to Montepuez-Lichinga: The Pemba – Montepuez – Lichinga Road Corridor (735km) traverses the two relatively underdeveloped and isolated northern provinces of Niassa and Cabo Delgado which make up the hinterland of Pemba Port. The road corridor is important since it improves the connectivity of the two provinces to the national road system; opens up the richest, but under-exploited agricultural region of Mozambique for grains and cash crops (tobacco and cotton); and improves social service coverage to the population in its remote rural communities.

The Montepuez-Lichinga Road which is a vital link in the corridor has, in this context, been given high priority in the government's ROADS-3 program as a necessary investment in the Northern provinces of Cabo Delgado and Niassa. The road will provide the communities in the zone of influence access to socio-economic services and markets in the major towns of Montepuez, Balama, Marrupa and Lichinga. Similarly, the lack of adequate transport links is hampering the huge tourism potential of the Cabo Delgado and Niassa provinces. Upon completion, the project will compliment the Pemba-Montepuez road (an earlier Bank intervention in the corridor) and the Litunde -Marrupa link completed with financing from the Swedish International Development Cooperation Agency (SIDA).

The loan is a supplement to ADF's original loan of UA 30.1 million for the same project which brings the Fund's total financing for the project to UA 62.75 million, out of a total project cost of UA 130 million. The project is being co-financed with the government, the Japanese Bank for International Cooperation (JICA) and SIDA.

The project comprises: Civil works to upgrade the Montepuez-Ruaca (135 km) and Marrupa-Ruaca (68 km) road sections from gravel to bitumen surfaced standard as Lot A and Lot B respectively; the rehabilitation of the Litunde-Lichinga road (66 km) as Part I of Lot C; the construction of seven bridges between Marrupa and Litunde as Part II of Lot C; consulting services for design review, pre-contract services and the supervision of civil works; project audit services; and payment of compensation and resettlement of affected persons.

The project is achieving the following outcomes: Integrating rural communities with the rest of the country; improving transportation linkage between markets and areas of production; Improving transport services and safety on major corridors; and Improving accessibility and road transport services and safety.

Poverty Reduction Loan II: The overarching purpose of the Poverty Reduction Support Loan II (PRSL II) was to improve economic and financial accountability by enhancing the external and internal audit functions and the local government framework for decentralised financial management within districts.

The specific objective of the PRSL II is to enhance transparency and accountability in the use of public resources, both at the national and district levels.

The Bank has drawn from past experiences and lessons learnt through the implementation of the first phase of the Poverty Reduction Support Loan (PRSL I) and has used these lessons to support the PRSL II.

During the three years of its implementation the overall program was supported by 18 other donors providing support the Mozambican government in its efforts to consolidate macro-economic stability; enhance governance by deepening the reform of accountability institutions and further the decentralisation program. It also assisted the country in creating an enabling environment for economic and private sector development.

# Namibia

| | |
|---|---|
| Membership year | 1991 |
| Start of lending operations | 1991 |
| Number of Bank Group operations approved from 1967-2010 | 18 |
| Number of ADB operations approved from 1967-2010 | 9 |
| Number of ADF operations approved from 1974-2010 | 6 |
| Number of NTF operations approved from 1976-2010 | 2 |
| Number of Other Approvals[13] | 1 |
| Cumulative Bank Group Approvals in UA million from 1967-2010 | 168.98 |
| Subscribed capital (%) as of December 31, 2010 | 0.339 |
| Total voting power (%) as of December 31, 2010 | 0.360 |
| Number of on-going operations | 3 |
| Total loan amount of ongoing operations in UA million | 1.46 |
| Number of newly approved operations | 1 |
| Total amount of newly approved operations in UA million | 0.6 |

[13] These include, Equity Participation, Guarantee, Post-Conflict Countries Facility, Reallocations and Special Funds for Water

# Presenting the Republic of Namibia

The Republic of Namibia is a southern African country whose western border is the Atlantic Ocean. It shares land borders with Angola and Zambia to the north, Botswana to the east and South Africa to the south and east. Its capital and largest city is Windhoek.

Namibia's economy which is heavily dependent on mining exports, contracted by 1.5% in 2009, the only second negative growth rate recorded since independence in 1990 as the global crisis undercut overseas demand. Diamond output and prices fell sharply and tourism was badly hit, forcing job losses in many areas.

Increased uranium production, a recovery in diamond prices, additional investment in infrastructure and a rebound in tourism, especially as a result of the 2010 FIFA World Cup in neighbouring South Africa, were expected to help the economy return to a 2.2% growth in 2010 and 2.6% in 2011. Namibia's emergence as a major uranium exporter will be a key driver for the economy, providing much-needed employment. Increased government infrastructure investment will also contribute to growth over the next three years.

Mining accounts for 20% of the Namibian economy. However, the recent global financial crisis led to the closure of the copper mines, suspension of onshore diamond production and the laying-off of workers in these industries. With the recovery of commodity prices, it is expected that the sector will pick up.

Most Namibians earn a living from agriculture. In 2009, the sector was greatly affected by difficult weather conditions leading to droughts in some parts of the country, but total coarse grain production increased more than 5% to 138,800 tons in 2009 due to improved harvest in commercial farming areas.

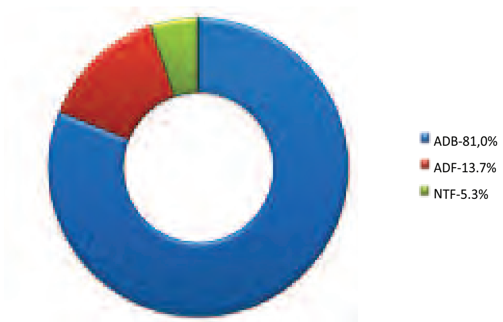
Namibia's Human Development Index (HDI) reading rose marginally from 0.678 in 2006 to 0.686 in 2007, ranking it 128 out of 182 countries. A high HIV/AIDS prevalence rate at 17.8% in 2008 continued to reduce life expectancy, which has stood at around 52 years since 2006, substantially below other countries with a similar HDI. Namibia's ranking is boosted by a high adult literacy rate of 88% and a relatively high income level, with a per capita GDP based on Purchasing Power Parity of US$ 5,155.

Seven new schools were built in fiscal 2008/09. The total number of schools has increased to 1, 672 in 2008 from 1,584 in 2002. Enrolment rates for primary and secondary education in 2008 were 97% and 55%, respectively. Drop-out rates reduced from15% to 13% from 2007 to 2008.

# Overview of Bank Group Operations in Namibia

Bank Group cumulative operations in Namibia at the end of December 2010 stood at UA 168.98 million. The total approvals from the non-concessional ADB window accounted for 81.0%; ADF accounted for 13.7% and NTF 5.3% of the historical approvals.

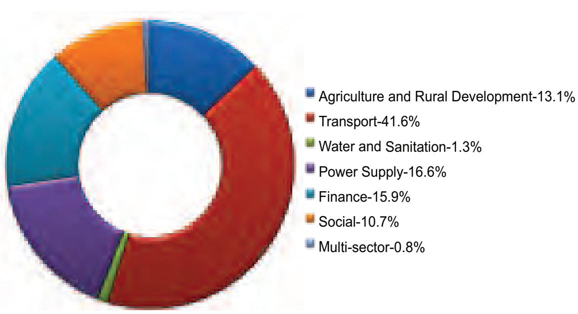
**Cumulative Bank Group Loan and Grant Approvals by Institution in Namibia (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

The overall Bank Group portfolio in Namibia comprises 18 operations. Sector interventions are, in order of predominance: infrastructure - transport, water and sanitation and power supply – (59.5%), finance (15.9%), agriculture and rural development (13.1%), social sector (10.7%) and multi-sector operations (0.8%).

**Cumulative Bank Group Loan and Grant Approvals by Sector in Namibia (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Infrastructure Sector

The Namibian government recognises that the development of adequate transport infrastructure is critical to improving the competitiveness of the private sector, stimulating economic growth and reducing poverty.

Plans are underway to construct the multi-modal transport facilities of the Walvis Bay Corridor which will be used as the main instrument to integrate the industrial development of the northern and western parts of the country and to link this industrial hub with the rest of Namibia and the Southern African sub-region.

The country has an energy deficit. About 50%-60% of its energy is imported from various utilities in the SADC region. The Namibian government is conscious of the need to ensure regular and adequate supply of electricity, as any efforts to reduce poverty, inequality and unemployment will be futile without this essential ingredient. In line with that, the Namibian government is implementing an action plan to ensure energy supply security in support of the country's development agenda.

Drought and inadequate water infrastructure have contributed to water shortage in urban and rural areas, thus impairing the private sector's competitiveness. Scarce water resources are a substantial limitation for the country's socio-economic development. The Bank is seeking to assist the government through Namwater and the Directorate of Water to increase access to safe drinking water and sanitation.

Since 1991, the Bank Group has approved 7 operations for UA 99.96 million geared towards improving Namibia's infrastructure sector.

## Agricultural and Rural Development Sector

Namibia imports about 65% of its food requirements which makes a considerable proportion of the country's population vulnerable and food insecure, with an esti-

mated 23% of the population suffering from under-nourishment. At least 80% of the rural population is engaged in agricultural activities as subsistence farmers, but the share of agriculture in GDP is about 6%, reflecting low productivity in the sector.

To support government efforts, the Bank is committed to intervening in the agricultural sector to enhance productivity and the attainment of food security. It will also help with the diversification into the production and export of high value agricultural products through irrigation-based agronomic production to mitigate the adverse effects of drought. The intervention will also seek to attain sustainable livestock improvement through optimal and sustainable utilization of rangeland.

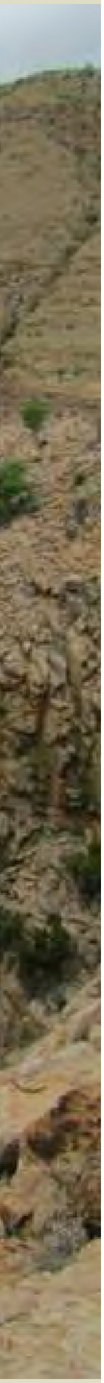
Since the first intervention, the Bank has carried out 2 operations in the sector for a total net commitment of UA 22.13 million. These operations have helped to step up poverty reduction efforts and strengthened plans for food security.

## Financial Sector

Namibia's banking system is mature, profitable, and well capitalized. The non-bank financial institutions sector is also well developed. Close ties with South Africa have significantly benefited financial institutions which are able to diversify their risks while strong ownership and common good practices with reputable financial institutions in South Africa help mitigate weaknesses in domestic supervision and regulation as well as limited domestic skills.

The impact of the global financial crisis on Namibia's financial sector has been felt through indirect channels: exchange rate, inflation and interest rates. The Namibian Dollar (NAD) depreciated against major currencies during the first three quarters of 2008, which led to high import prices and inflation and, consequently, high interest rates. Both results stretched consumer budgets. However, the banking system remains sound and profitable.

The Bank approved 3 operations in the financial sector. These were lines of credit (LoCs) to financial institutions for on-lending to small and medium enterprises as well as to farmers with the aim of promoting employment, reducing poverty and social imbalances.



# Bank Group Strategy & Ongoing Activities in Namibia

The Bank Group's current strategy is crafted around three pillars, namely: Enhancing the private sector's competitiveness through the development of capacity and infrastructure (rail and road transport, energy and water); Investing in rural infrastructure and irrigation systems to increase agricultural productivity and enhancing food security; and Trade and regional integration.

The strategy addresses poverty, inequality and unemployment. The Bank has committed to supporting Namibia's private sector to give impetus to the growth of small- and medium-scale enterprises, intensify international business, and promote regional integration.

Furthermore, the AfDB will support efforts to diversify the Namibian economy away from minerals into areas such as tourism and financial services. Intervention in the agricultural sector is expected to contribute towards increased food security, increased farming incomes and poverty reduction. The Bank will also provide advisory services through economic and sector work, as well as support institutional capacity development.

**Recently approved and on-going operations in Namibia**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| MIC-Human Resource Development | Social | January, 2009 | 0.6 |
| Development of the Integrated Water Resources Management Plan | Water and Sanitation Sector | | 0.43 |
| MIC-Support to Aquaculture Development | Social | June, 2009 | 0.26 |

The Bank Group's current portfolio comprises 3 technical assistance operations financed with resources from the Middle Income Countries Trust Fund. Total approvals under the fund amount to UA 1.46 million, including technical assistance to support acquaculture development (UA 0.6 million); the development of a human resources plan for economic growth (UA 0.26 million) and the financing of the development of the integrated water resources management plan (UA 0.43 million).

# South Africa

| | |
|---|---|
| Membership year | 1995 |
| Start of lending operations | 1997 |
| Number of Bank Group operations approved from 1967-2010 | 20 |
| Number of ADB operations approved from 1967-2010 | 20 |
| Number of Other Approvals | 5 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 3184.48 |
| Subscribed capital (%) as of December 31, 2010 | 4.580 |
| Total voting power (%) as of December 31, 2010 | 4.513 |
| Number of on-going operations | 10 |
| Total loan amount of ongoing operations in UA million | 2867.37 |
| Number of newly approved operations | 2 |
| Total amount of newly approved operations in UA million | 403.65 |

# Presenting the Republic of South Africa

The Republic of South Africa is a country located at the southern tip of Africa, with a 2,798 kilometres coastline on the Atlantic and Indian Oceans. To the north lie Namibia, Botswana and Zimbabwe; to the east are Mozambique and Swaziland.

South Africa's economy grew by 3.7% in 2008, however due to a severe contraction in mining and manufacturing activities as a result of the global financial crisis, it shrank by 1.8% in 2009. The timid resumption of external demand, economic benefits of hosting the FIFA World Cup and partial relaxation of credit conditions, are expected to progressively bolster economic activities in 2010 and 2011, with GDP growing by 2.8% and 3.3%, respectively.

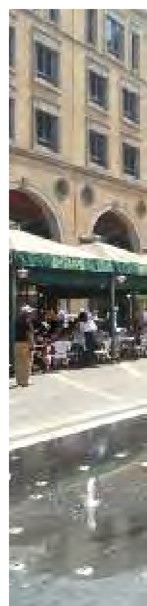
However, investment in mining, which had begun to pick up in 2006 after years of underinvestment, has slowed again. While mining output represents around 9.7% of total value added, the sector continues to be constrained by poor rail and energy infrastructure, red tape, skills shortages, safety related issues and a relatively strong – though volatile – currency. However, the sector's outlook is moderately good due to the upswing of global demand for South African commodities.

On the positive side, construction maintained growth at 7.8% over 2009, down from 9.3% in 2008. The preparation of the FIFA World Cup and the extended public work program contributed significantly to the sector's expansion.

Poverty remains stubbornly high in South Africa and inequality is rising, with half of the population living on 8% of national income. However, it is worth mentioning that the population living in poverty has reduced from 51% in 1994 to 41% in 2008. Furthermore, the Broad Based Black Economic Empowerment (BBBEE) initiative has led to the creation of a new black middle class, helping therefore to reduce income inequality.

In South Africa, one of the indicators of progress towards the achievement of the Millennium Development Goals is the effective and equitable delivery of public services. Significant achievements have been made in areas such as access to basic water supply and education, and health expenses will increase by 11% and 6.7%, according to the 2010/11 budget. However, more emphasis will be laid on expenditure efficiency and quality. The quality of healthcare and education is extremely heterogeneous across districts.

Rural development has also become one of the government's priorities because of its job creation potential. However, the slow pace of the land reform process as well as its social and economic costs made it impossible for the government to achieve the objective of transferring 30% of land to black farmers by 2014.



# Statement by Mrs. Eva Ruganzu
# **South African Regional Office Country Program Officer**

The African Development Bank's regional office in Pretoria (ZAFO) was established in June 2009. In addition to South Africa, the office covers Bank activities in Botswana, Lesotho, Namibia, Swaziland and Zimbabwe as well as Bank-funded multinational projects implemented by the SADC Secretariat. It was established to strengthen and deepen the dialogue between the Bank and the concerned countries, development partners and other economic actors in order to enable it to better respond to the region's priority needs.

The office's major activities focus on country programming, improved portfolio management, policy dialogue, procurement and disbursement facilitation, capacity building, regional integration promotion, and enhanced coordination and harmonisation with development partners.

The opening of a regional office in South Africa has facilitated and enhanced country dialogue, increased the Bank's visibility in the region through closer collaboration with other development institutions on the ground, and supported regional integration initiatives. The Bank's presence in South Africa, the continent's largest economy, as well as the host of the most advanced financial market and institutions in Africa, gives the Bank a unique position to provide a voice and build knowledge on development issues and to forge synergies to support investment in South Africa and beyond.

The regional office is actively assisting the Bank in carrying out activities related to business development, project identification, preparation and appraisal of operations in the private sector. This has helped generate new opportunities and business for the Bank and granted the vibrant Southern African private sector access to long-tem resources at competitive terms in order to maintain the high growth momentum in the region.

ZAFO is also making a significant contribution aimed at improving portfolio management and quality. The office has participated in due diligence missions and provided market intelligence, particularly on the local aspects of projects. It has also been involved in the sustained monitoring and supervision of on-going projects in Southern Africa, consequently leading to an improvement in the overall portfolio performance in the region.

In addition, the office provides strong technical support to teams managing Bank operations, and it directly manages economic sector work operations. The ability to easily access daily and monthly economic data and publications has facilitated speedy delivery of economic intelligence reports, regional notes and country updates, and, in so doing, improved the Bank's knowledge on enhancing its development effectiveness. The presence of the regional office has enabled the Bank to undertake capacity building activities in the region.

ZAFO will continue to strengthen dialogue on issues relating to regional integration, including providing leadership in the implementation of the Bank's regional integration strategy in Southern Africa, foster private sector development, generate and disseminate knowledge and provide advisory services on finance and development in the region.

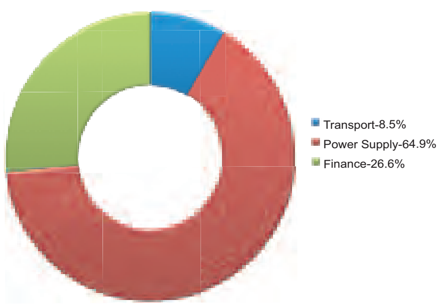
# Overview of Bank Group Operations in South Africa

Since starting operations in South Africa in 1997, the Bank Group has approved 20 operations. Total cumulative approvals, at the end of December 2010, stood at UA 3184.48 million. All these resources were provided through the ADB lending window.

The overall Bank Group portfolio in South Africa is dominated by the infrastructure sector - transport and power supply - which represents 73.4% of total approvals while the remaining 26.6% went to the finance sector.

The AfDB has also made other approvals - private equity participation and public guarantees - worth UA 361.25 million and special funds for water amounting to UA 0.33 million.

**Cumulative Bank Group Loan and Grant Approvals by Sector in South Africa (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Power Supply Sector

The impact of South Africa's electric power shortage on production, especially in the mines and other energy-intensive industries, has led to a significant downward revision of economic growth forecasts.

To mitigate power shortages and to meet medium-term demand, Eskom has prepared an Integrated Strategic Electricity Expansion Plan (ISEP) to support the economic objectives of the government's 2009-2014 Medium Term Strategic Framework. It has reopened power plants which were previously decommissioned and is also building new power plants, namely; the Medupi thermal power plant (4764 MW), the Kusile thermal power plant (4764 MW) and the Ingula pump storage (1332 MW).

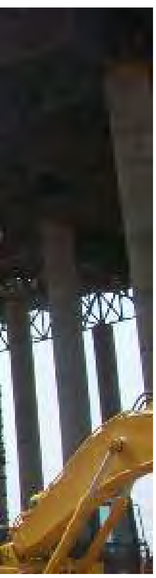
Support for infrastructure services, especially energy, is a major focus of the African Development Bank's Country Strategy Paper for South Africa. The Bank will seek to address the energy problem not only by providing assistance to South Africa, but also through regional approaches.

To assist Eskom, the Bank Group approved 2 operations to finance its activities, estimated at UA 2065.95 million. One of these approvals is supporting the Madupe Power Project, which is the largest facility ever approved for an ADB-borrower, worth UA 1730 million.

## Transport sector

South Africa's national transport policy calls for a shift in the transportation of goods from road to rail. Currently, about 80% of goods are transported by road, with just 20% going by rail. This places a heavy burden on road infrastructure in terms of congestion and maintenance costs. A shift to reliable and cost-efficient rail transportation of bulk goods will support South Africa's export drive and increase its competitiveness by reducing the cost of doing business.

To support the South African government (Transnet Limited ), the Bank Group has approved a UA 271.3 million loan to finance the rehabilitation, upgrading, and expansion of its rail infrastructure with a view to improving its efficiency and competitiveness, thereby boosting the country's sustained economic growth.



## Financial Sector

Adequate investments in urban and municipal infrastructure to clear the backlog in the provision and maintenance of infrastructure services to a significant segment of the population is one of the cornerstones of the South African government's poverty alleviation programs.

The government's commitment to infrastructure development is guided by four primary objectives: Promoting economic growth; Enhancing the overall quality of life, Meeting the basic needs of the people; and Expanding the income earning opportunities of the poor.

The government however recognizes that financing infrastructure development solely through direct fiscal transfers will neither be an adequate nor sustainable means of providing the services.

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The AfDB is supporting efforts by the South African government through lines of credit to support and strengthen the lending capacity of South African development finance institutions to provide loans and other development services for projects in the infrastructure sector.

So far, the AfDB has financed 12 operations in the finance sector, with a total commitment value of UA 847.23 million, part of which supported the provision or improvement of infrastructural services, targeted to disadvantaged segments of the population and underserved areas and regions.

# Bank Group Strategy & Ongoing Activities in South Africa

The Bank's 2008-2012 Country Strategy Paper (CSP) for South Africa is built around three main pillars, private sector development, regional integration and capacity building.

Bank lending has included a Credit Risk Sharing Line to NEDCOR of 1 billion Rand (about US$170 million) to promote the development of Small and Medium Enterprises (SMEs), natural resources, Black Economic Empowerment (BEE) and infrastructure projects.

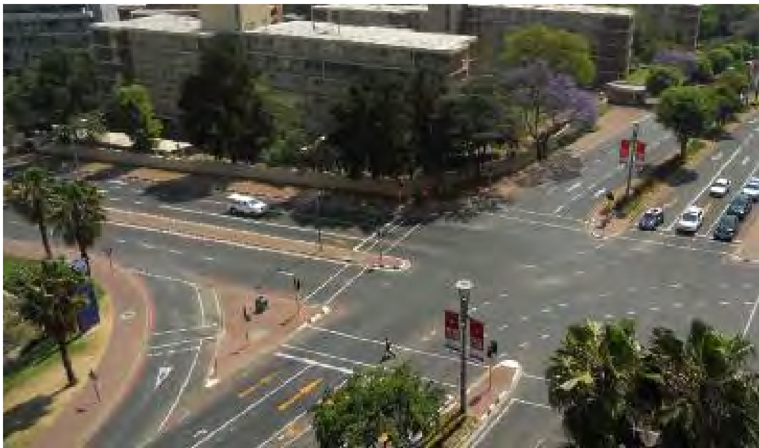
The Bank has also provided a UA 67.19 million non-sovereign regional line of credit to the Development Bank of South Africa (DBSA) to finance competitive infrastructure development, expansion, and rehabilitation projects in the Southern African Development Community (SADC) sub-region. In 2004, the Bank approved a UA 4.14 million program to develop SMEs through franchising.

More recently, the Bank approved a UA 334. million loan and an additional UA 1.7 billion to Eskom Holding Limited, South Africa's electric power utility and has invested UA 67.19 million in Nedbank's 10-year Domestic Medium Term Note Program to facilitate the expansion of Nedbank's community development activities.

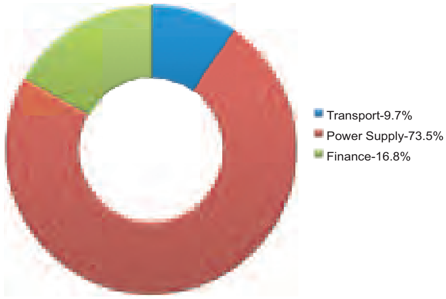
**Recently approved and on-going operations in South Africa**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Transnet Ltd | Transport | June, 2010 | 271.3 |
| Medupe Power Project | Power supply | November, 2009 | 1,700 |
| Eskom Holdings Ltd | Power supply | June, 2007 | 334.3 |
| Line of Credit to Industrial Development Corporation II | Finance | May, 2010 | 132.4 |
| Line of Credit to Standard Bank of South Africa (Global Trade Liquidity Program) | Finance | November, 2008 | 67.19 |
| Line of Credit to Nedbank Ltd | Finance | November, 2008 | 67.19 |
| Line of Credit to Standard Bank of South Africa | Finance | September, 2008 | 140.14 |
| Fourth Line of Credit to Development Bank of Southern Africa Ltd | Finance | July, 2006 | 67.19 |
| Integrated Water Harvesting Project | Water and Sanitation | September, 2009 | 0.34 |

As of December 31, 2010, the active and newly approved loans and grants comprised 9 operations which amounted to UA 2867.37 million. These approvals are dominated by the infrastructure sector (transport and power supply), representing 83.2% and the finance sector which accounts for 16.8% of current commitments. Additionally, the Bank has several lines of credit or funds classified as multinational operations in South Africa, currently worth UA 167.4 million.



**Structure of the current portfolio by sector in South Africa**




Private sector operations dominate Bank activities in South Africa. Major projects target the power supply and finance sectors. Below is a presentation of the two Bank interventions: Medupe Power Project and Line of Credit to Standard Bank of South Africa.

Medupe Power Project: There has been a close link between growth in electricity consumption in South Africa (averaging 2.62% per annum) and GDP growth (averaging 2.46% per annum) from 1990 to 2006. In general, electricity reduces the cost of production and consumption, and makes it easier for economic agents to enter into transactions.

After two decades of power surplus, South Africa is, for the first time, experiencing significant power outages. This unprecedented situation has revealed the huge investment needed to sustain the country's current economic growth rate and to reach a 6% rate by 2010, as well as universal electricity access by 2012.

Eskom is building additional power stations (Medupi, Kusile, and Ingula), major transmission lines and distribution networks that will add approximately 16,000MW by 2017. The specific objective of the Medupe project is to increase the country's generation capacity and improve the reserve margin in order to adequately, efficiently and reliably meet electricity demand in the country, in particular, and in the Southern African region, in general.

The project components are as follows: power plant civil works, including the construction of buildings, drains, landscaping, sewers, cable trenches, fencing, roads and terraces; the design and installation of boilers, turbines, electrical, control and instrumentation equipment, coal and ash handling plant and low pressure services; the construction of transmission lines and sub-stations; and project management.

The project is producing the following results: It has led to an Increase in domestic generating capacity connected to the national grid; and it has increased Eskom's electricity reserve margin.

Line of Credit to Standard Bank of South Africa: Standard Bank of South Africa (SBSA) and other African banks have generally been unable to obtain foreign currency funding for longer maturities from commercial sources on reasonable terms. The recent global financial market turmoil has further constrained SBSA's access to foreign currency funding. The AfDB's line of credit is intended to address this gap in the financial markets. In so doing, the Bank will catalyze a number of important project finance transactions that will contribute to growth, particularly in low income countries.

The Bank's primary role in the transaction is to provide long-term foreign currency funding to SBSA through the line of credit. The Bank's secondary role in the transaction is to encourage responsible, sustainable project lending.

The specific objective of the project is to increase the availability of commercial finance for projects in Africa, particularly in infrastructure. This will compliment Bank support as a direct investor and as an indirect investor in other vehicles such as investment funds.

The line of credit is designed to leverage the Bank's limited capacity to process direct investments in infrastructure projects. Through the line of credit, the Bank will be leveraging a strong middle-income country (MIC) financial institution that is capable of assessing and taking risks in lower-income countries (LICs) and fragile states. The pipeline of projects to be supported by the line of credit is composed almost exclusively of projects in LICs.

The project is posting the following results: It is increasing the availability of private finance for sustainable infrastructure and other productive projects. It is also increasing the economic output; creating jobs; and generating additional government revenues.



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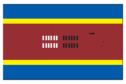
# Swaziland

| | |
|---|---|
| Membership year | 1971 |
| Start of lending operations | 1972 |
| Number of Bank Group operations approved from 1967-2010 | 47 |
| Number of ADB operations approved from 1967-2010 | 27 |
| Number of ADF operations approved from 1974-2010 | 16 |
| Number of NTF operations approved from 1976-2010 | 2 |
| Number of Other Approvals | 2 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 300.4 |
| Subscribed capital (%) as of December 31, 2010 | 0.332 |
| Total voting power (%) as of December 31, 2010 | 0.354 |
| Number of on-going operation | 10 |
| Total loan amount of ongoing operations in UA million | 27 |
| Number of newly approved operations | 1 |
| Total amount of newly approved operations in UA million | 0.298 |

# Presenting the Kingdom of Swaziland



The Kingdom of Swaziland is a small landlocked country surrounded by South Africa and Mozambique. It covers a land surface area of 17,346 square kilometres. The country is classified as a lower middle-income country with an average annual per capita income in current US$ 1,360 in 1999 and US$ 2,251 in 2008.

Swaziland's economy grew by 2.4% in 2008 before declining to an estimated 0.2% in 2009. Over the same period, inflation improved to a single-digit figure (4.1%) as commodity prices fell and the lilangeni remained relatively stable against the US Dollar.

Growth in 2010 and 2011 will depend upon continued and gradual recovery in the global economy, modest rises in oil and other commodity prices, as well as an upswing in workers' remittances, foreign direct investment (FDI) inflows and official development assistance (ODA) disbursements, offset by sluggish export performance. The country's projections for 2010 and 2011 indicate that growth will rebound to 2.2% and 2.4%, respectively, below the 5% government projection.

Manufacturing is the main driver of the Swazi economy, accounting for 42.3% of GDP. The sector consists primarily of four export-oriented industries: wood pulp production, drink processing, fruit canning, and sugar processing. The manufacturing sector is estimated to have expanded by 0.5% in 2008 before contracting by 4% in 2009. Projections for 2010 point to a recovery with marginal growth of 1.5%.

Agriculture accounts for 80% of Swaziland's total land area and 70% of employment, contributing just 7% to GDP. The sector is strongly linked to the manufacturing sector. The two most important crops are sugarcane and maize both of which are grown commercially.

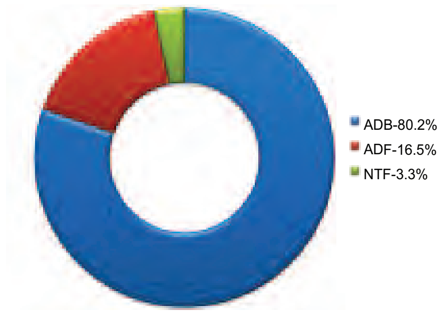
Although Swaziland is a lower middle income country with a GDP per capita of US$ 2, 251, it still faces various development challenges. Today, Swaziland is at the epicentre of the global HIV/AIDS pandemic, facing a social disaster of momentous dimensions. Despite a sound strategy, a strong national HIV/AIDS institution and considerable international support, the country has not been able to cope with this threat. As a result, Swaziland has the highest HIV prevalence rate (32.4%) and the lowest life expectancy in the world estimated at 31 years. On a positive note, antiretroviral therapy (ARVs) became available at all six public hospitals in the country in 2006, at five public health centres and at six facilities in the private sector.

To further check the HIV/AIDS menace and other diseases, the government has increased its allocation to the health sector to 17.2% of the national budget in 2009/10. The country's authorities have also embarked on a number of initiatives to improve efficiency through the continued strengthening of healthcare infrastructure.

# Overview of Bank Group Operations in Swaziland

Since starting operations in Swaziland in 1972 up to December 31, 2010, the Bank Group has approved 47 operations, representing a total commitment of nearly UA 300.14 million. Out of these interventions, ADB loans and grants accounted for 80.2%, ADF (16.5%) and NTF (3.3%).

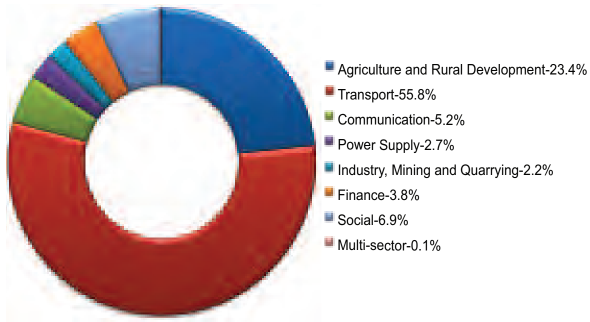
**Cumulative Bank Group Loan and Grant Approvals by Institution in Swaziland (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

The AfDB has supported a number of sectors in Swaziland, broken down as follows: The infrastructure sector (transport, communication and power supply) comes first with 63.7% of total approvals, followed by the agricultural and rural development sector with 23.4% and the social sector 6.9%. The finance sector represents 3.8%, industry, mining and quarrying 2.2% and multi-sector operations 0.1%.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Swaziland (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Transport Sector

The overall government transport policy and vision is to establish a transport system that provides safe, efficient, cost-effective, and fully integrated infrastructure and operations to best meet the needs of customers, promotes economic and social development, and is environmentally and economically sustainable. The policy commits the authorities to create an enabling environment to best serve the needs of transport stakeholders in Swaziland.

The Kingdom of Swaziland has supported road infrastructure development, which has created jobs during project implementation and provided easy access to industrial jobs and other areas, positively impacting on economic growth and poverty reduction in the country.

Swaziland has also invested in road transport network to improve transport linkages with neighboring countries. In so doing, it has taken advantage of regional trading opportunities and promoted regional integration.

To support the government, the Bank Group has historically approved 17 operations worth UA 56.2 million.

These operations provided finances to undertake sector studies, update detailed road designs, rehabilitate and upgrade certain sections of the country's road infrastructure.

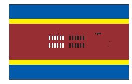
## Agricultural and Rural Development Sector

Agriculture accounts for 80% of Swaziland's total land area and 70% of employment, contributing just 7% to GDP. The two most important crops are sugarcane and maize both of which are grown commercially. Swazi agricultural productivity is principally a function of the country's two-tier land tenure system: Swazi Nation Land (SNL) and Individual Tenure Farms (ITF). The former is communally owned, generally not irrigated, and is mostly used for subsistence and low-productivity agriculture. The primary SNL crops are maize, cotton and tobacco, all of which suffer from adverse weather. Productive commercial irrigated farming is generally restricted to private holdings and focuses mostly on sugarcane, citrus, timber and pineapples. It is estimated that ITF-based agriculture accounts for three-quarters of the country's total agricultural output.

In December 2009, the government outlined a new agricultural policy focusing on achieving greater food security, increasing farm tools, crop yields and storage facilities, diversifying food and commercial crops via agribusiness, and lastly, supporting price stabilisation and better market access programs.

Since starting operations in the country, the Bank has financed 9 operations amounting to UA 23.4 million. The interventions aim at increasing household incomes, enhance food security and improve access to social and health infrastructure for people living in the areas by creating the conditions for the transformation of subsistence level smallholder farmers into small-scale commercial farmers.

# Bank Group Strategy & Ongoing Activities in Swaziland



Bank Group assistance strategy for Swaziland for the period 2009-2013 is contained in its 2008 Results Based Country Strategy Paper. It is based on the government's development agenda, outlined in the 1997-2022 National Development Strategy, and the Bank's New Strategic Framework for Enhancing Bank Group Support to Middle Income Countries.

The strategy places emphasis on accelerating economic growth and the need to make important strides to overcome the HIV/AIDS pandemic. It identifies quantitative targets to be attained during the implementation period and it rests on two pillars, namely: Investing in Infrastructure to Improve Productivity and Competitiveness; and Investing in Pro-Poor Socio-Economic Services.

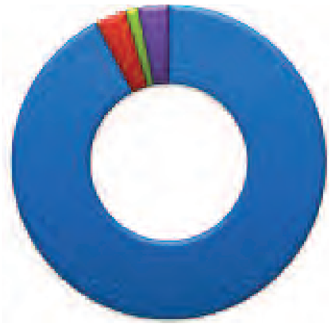
The expected outcomes include developing infrastructure to enhance the business environment and also ensuring increased agricultural productivity and food security. Other expected outcomes include strengthened health systems; improved and equitable access to quality education, skills development and employment.

**Recently approved and on-going operations in Swaziland**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Establishment of Swaziland Revenue Authority | Multi-sector | November, 2006 | 0.49 |
| MIC Grant to map HIV/AIDS interventions | Social | June, 2008 | 0.3 |
| Health Sector Study | Social | April, 2006 | 0.5 |
| Water and Sanitation Study on Lavumisa-Nsalitje Corridor | Water and Sanitation | May, 2008 | 0.46 |
| Lower Usuthu Small Irrigation Study | Agriculture and Rural Development | May, 2009 | 0.89 |
| Lower Usuthu Small Irrigation Project | Agriculture and Rural Development | November, 2003 | 9.31 |
| Komati Downstream Development Project | Agriculture and Rural Development | February, 2003 | 9.31 |
| Rural Water and Sanitation Strategy Investment Plan | Water and Sanitation | May, 2008 | 0.36 |
| National Transportation Master Plan | Transport | October, 2009 | 0.35 |
| Economic Diversification Study | Multi-sector | April, 2010 | 0.21 |

As of December 31, 2010, the Bank's portfolio of ongoing country projects comprised 10 operations for a total commitment of UA 27 million. The portfolio also comprised 3 projects in the agricultural sector, amounting to UA 23.4 million, 3 in the social sector for UA 0.8 million, 1 in the transport sector for UA 0.35 million, and 2 representing multi-sector operations for UA 0.788 million. 4 additional operations in the current portfoilio are classified as other approvals, targeting the water and sanitation sector for a total commitment of UA 1.17 million.

**Structure of the current portfolio by sector in Swaziland**




Key projects have been in the agricultural and rural development sector. The main features and achievements of the two interventions are presented below: Komati Downstream Development Project (KDDP) and Lower Usuthu Small Holder Irrigation Project (LUSIP).

Komati Downstream Development Project (KDDP): Swaziland is mainly an agricultural society. Agriculture is the main source of livelihood for over 75% of the population and it is a major source of employment and income for rural households. Although the performance of large farms and plantations on individual tenure farms remains crucial to export growth and overall economic development, increasing rural employment and income largely depends on agricultural output on traditional smallholder production on Swazi Nation Land (SNL).

In line with Swaziland's National Development Strategy, the Bank Group is financing the KDDP which has the potential to significantly improve the living standards of rural farming communities within the Komati River Basin. The specific objective of the project is to reduce poverty through increased household income of the rural population. This will be facilitated by creating conditions for the transformation of subsistence level smallholder farmers into small-scale commercial farmers.

The project supports the on-farm development of some 4,200 ha through the provision of credit funds to enable smallholder farmers procure and build irrigation infrastructure as well as to intensify and diversify their agricultural production, building on existing market linkages with the private sector. The project comprises 3 main components: agricultural development, including the provision of irrigation systems; infrastructure development; and project management.

The project is achieving the following outcomes: increase in household incomes; and the transformation of subsistence level smallholder farmers to small-scale commercial farmers.

Lower Usuthu Smallholder Irrigation Project (LUSIP): Swaziland is mainly an agricultural society. Agriculture is the main source of livelihood for over 75% of the population and it is a major source of employment and income for rural households. Although the performance of large farms and plantations on individual tenure farms remains crucial to export growth and overall economic development, increasing rural employment and income depends

predominantly on agricultural performance on traditional smallholder production on Swazi Nation Land (SNL).

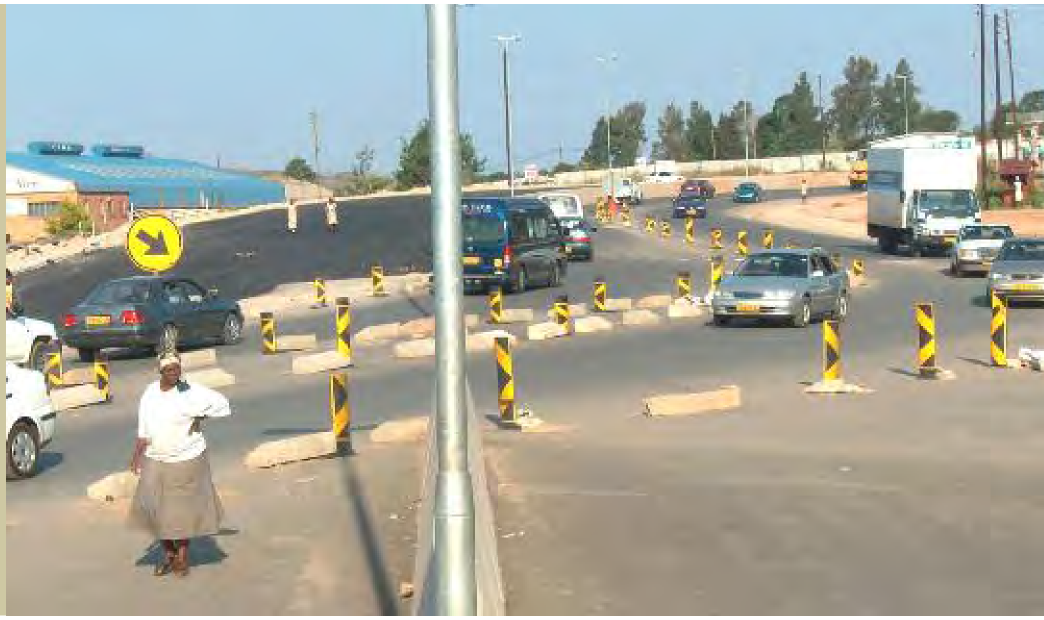
The government of Swaziland acknowledges the potential of the Lower Usuthu Basin which provides an excellent opportunity for effective integration of poor smallholder farmers on SNL into the commercial agriculture sub-sector.

The Bank Group is partly financing LUSIP to increase household income, enhance food security and improve access to social and health infrastructure for the rural population by creating the conditions for the transformation of subsistence level smallholder farmers into small-scale commercial farmers.

The project supports the development of water resources of the Lower Usuthu and the provision of irrigation infrastructure and credit funds to enable smallholder farmers to intensify and diversify their agricultural production, building on existing market linkages with the private sector. The project comprises 4 main components: upstream works, including 3 dams and distribution system; downstream development; environmental mitigation; and project co-ordination and management.

The project has increased household incomes; developed water resources of the Usuthu River; enhanced food security; and improved access to social and health infrastructure.

# Zambia



| | |
|---|---|
| Membership year | 1966 |
| Start of lending operations | 1971 |
| Number of Bank Group operations approved from 1967-2010 | 95 |
| Number of ADB operations approved from 1967-2010 | 36 |
| Number of ADF operations approved from 1974-2010 | 59 |
| Number of Other Approvals | 8 |
| Cumulative Bank Group Approvals in UA million, 1967-2010 | 1103.98 |
| Subscribed capital (%) as of December 31, 2010 | 1.259 |
| Total voting power (%) as of December 31, 2010 | 1.261 |
| Number of on-going operations | 11 |
| Total loan amount of ongoing operations in UA million | 125.9 |
| Number of newly approved operations | 1 |
| Total amount of newly approved operations in UA million | 31.9 |

# Presenting the Republic of Zambia

The Republic of Zambia is a landlocked Southern African country. The neighbouring countries are the Democratic Republic of the Congo to the north, Tanzania to the north-east, Malawi to the east, Mozambique, Zimbabwe, Botswana, and Namibia to the south, and Angola to the west. The country's capital city is Lusaka, located in the south-central part of the country.

The Zambian economy has been performing well. Real GDP growth is projected at 6.6% in 2010, boosted by a record maize harvest, a rebound in tourism, and a continued increase in copper output and construction. This year's bumper harvest has helped to bring down inflation to 8.2% through the end of August. The trade balance has been in surplus for twelve consecutive months, primarily as a result of strong copper exports, and the current account deficit is projected to narrow to 2.4 percent of GDP in 2010. International reserves remain relatively strong at about 3.3 months of imports. There are early signs of improved financial sector conditions, with credit to the private sector slowly picking up, but non-performing loans remain high.

The growth of the Zambian economy has been positive, averaging about 5% between 1999 and 2008. In 2009, the Zambian economy was resilient to the global economic crisis, growing by 6.4%, boosted by a significant increase in copper production and a bumper harvest as well ODA inflows. Inflation has been falling gradually (from 16.6% in 2008 to 9.9% in 2009) from the food and fuel price-induced highs of 2008. As at the end of March 2010, inflation hit a record low of 7.8%.

In the social sphere, the impact of the global financial crisis, especially on the mining sector, led to some 8,500 mine workers (out of a total of about 30,000) being laid off across the industry – with similar job losses among sub-contractors. However, the situation has improved with the upturn in overall economic performance.

There has been remarkable progress in Zambia's health indicators, especially those relating to maternal and child health. HIV/AIDS incidence is reported to have declined from 16% to 14% between 2002 and 2009. This improvement is associated with increased access to HIV/AIDS counselling, testing services and change in sexual behaviour.

In the educational sector, emphasis has been on improving the quality of education through increased access, implementation of reforms in curriculum development, improving syllabus design, vocational-teacher enhancement, and creating a more conducive environment to learning. Focus has also been extended to generating equitable service delivery, including addressing gender disparities, as well as increasing education opportunities for vulnerable groups. In terms of program performance, the sector presents a mixed picture. While there has been remarkable improvement in access and equity, key challenges remain regarding quality and infrastructure development within the sector.

The proportion of Zambians with access to an improved water source has risen to more than 53% nationwide, but with notable rural-urban disparities (rural access stands at 37% and urban access at 86%). The percentage of households with access to improved sanitation services has risen to 65%, again with a large rural-urban divide (57% rural and 80% urban).

# Statement by Mr. Freddie Kwesiga
# **Zambia Country Office Resident Representative**

Since its establishment in 2006, the Zambia Country Office has made significant effort towards meeting the Bank's strategic objectives of the decentralisation program. Key activities and achievements have included (i) strengthening country dialogue with the Government, in-country Cooperating Partners and the civil society, (ii) improving the performance and development effectiveness of the Bank supported programs (iii) taking deliberate actions to increase the Bank's support to the private sector in Zambia and (iv) improving the Bank's visibility in the country. The Office also continues to coordinate Bank support and participation in regional integration programmes under the Common Market for Eastern and Southern Africa Secretariat (COMESA) Secretariat which is hosted by Zambia.

The Bank's presence in Zambia has given an impetus for expeditious response to the Government and other stakeholders' request in situations where need arises. Examples of such responses is the response to the Government's request in 2009 for front loading budget support financing required to assist in addressing the fiscal challenges that arose due to the global and financial crisis. Earlier on, Zambia was one of the countries that were affected by the rise in food prices in 2008. The Government subsequently accepted the Bank's proposed short term measures to address the food crisis by restructuring three old ongoing projects to finance the initiative. This resulted in an amount of UA 2.16 million raised to purchase fertilizers, seeds and other planting materials to boost crop production in the country.

The Zambian economy remains largely driven by the performance of the mining sector, mainly copper, making it vulnerable to external shocks in the international commodity prices. Recent and ongoing analyses also show that Zambia continues to face the key challenge of relatively high levels of rural poverty, low domestic revenue mobilisation capacity (less than the 18% GDP average for most Sub-Saharan Africa), weak institutional structures in the public sector and frequently reported cases of corruption.

The Bank has been supporting various infrastructure programs over the past years to assist the country's diversification programme from dependence on copper. In 2010 it prepared a Country Strategy Paper covering the period 2011-2015. The main areas of intervention in the public sector continue to include water and sanitation, infrastructure (transport & energy) development, agriculture and rural development, and provision of budget Poverty Reduction Budget Support operations. In the private sector the Bank will support manufacturing and financial sector development. The Bank will also assist the Government to strengthen its capacity for both internal and external resource mobilisation, including seeking co-financing opportunities with bilateral and multilateral Partners. The Country Office will also increase its level of involvement in the country dialogue process mainly through undertaking demand driven and policy-oriented analytical studies.

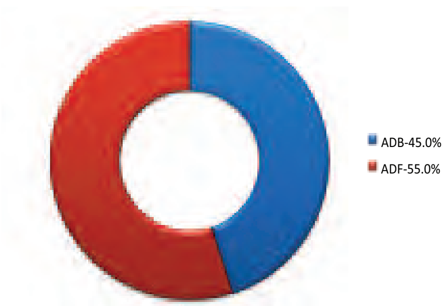
All the Bank support will be anchored on the Government's Sixth National Development Plan (2011 – 2015) and close collaboration with other Cooperating Partners under the existing comprehensive donor coordination framework, which aims at collectively supporting the Government's vision to become a middle income country by 2030.

# Overview of Bank Group Operations in Zambia

Since starting operations in the country in 1970, the AfDB has approved 96 operations in Zambia for cumulative commitments of UA 1,103.98 million, 45% of which is ADB loans and grants, while ADF approvals account for 55%.

To date, the Bank Group has committed a total of UA 851.33 million, net of cancellations in the country. It has financed 37 projects, 5 lines of credit, 5 policy-based programs, 4 institutional support operations, 8 studies, 2 debt relief operations and 1 emergency relief operation. The Bank has also made three private sector investments valued at US$ 57.83 million.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Zambia (1967-2010)**

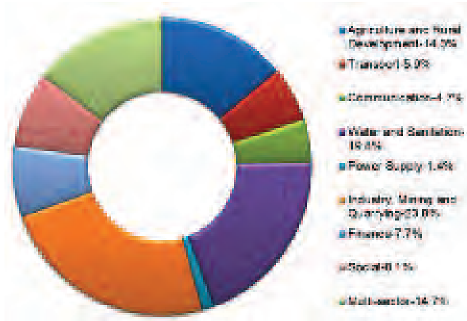



Source: AfDB Statistics Department, Economic and Social Statistics Division

The sectoral breakdown indicates that infrastructure (transport, water and communications) accounted for 31.8% of Bank Group historical approvals. This is followed by the industry, mining and quarrying sector with 23.8%, multisector operations with 14.7%, agricultural sector with 14%, the social sector with 8.1%, while the financial sector accounted for 7.7%.

Zambia's attainment of the Heavily Indebted Poor Countries (HIPC) completion point in 2004 resulted in the AfDB reducing its debt by UA 288.57 million to help it achieve realistic and tenable debt sustainability.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Zambia (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

## Infrastructure Sector

The Zambian government has devoted resources to construct, rehabilitate and upgrade roads to promote private sector development and economic growth in the country. To encourage the sector's expansion, authorities have committed to supporting both public-private partnerships and private arrangements to undertake investments in the railway transport and energy sector.

Zambia has embarked on development programs to improve water supply and sanitation services in rural and urban areas. In collaboration with development partners, the government is implementing numerous projects to rehabilitate and extend water supply and sanitation systems in the country. These projects have helped to reduce the cost of doing business, create a favorable investment climate and improve the population's welfare.

## Agricultural and Rural Development Sector

The agricultural sector plays a critical role in Zambia. Over 60% of the population derives its livelihood from the sector and resides in rural areas. The government has therefore initiated reforms, encouraging the sector's growth and development. These initiatives will ultimately support investments to improve productivity, especially for small-scale farmers; revive and strengthen agricultural extension services; and develop agricultural research and technology as well as agro processing.

As of December 31, 2010, Bank Group interventions in the agricultural sector amounted to UA 113.74 million. These operations have contributed to the promotion and use of improved on-farm water resources management methods and low-cost irrigation technologies for food security and poverty reduction by small farmers.

## Multi-sector Operations

Over the years, the Zambian government has implemented a series of recovery programs to restructure and revamp the economy. It is continuously undertaking reforms to improve the quality, efficiency and delivery of services to the Zambian people.

The AfDB has financed multi-sector operations in Zambia to support budget reforms, domestic debt management initiatives, public procurement reforms, public accounts audit, efforts at combating corruption, the decentralisation process, among others. The total cumulative bank approvals to the sector amounted to UA 119.21 million, accounting for 14.7% of entire approvals.

## Industry, Mining and Quarrying

In 1991, the Zambian government embarked on a comprehensive economic restructuring of the mining industry aimed at privatization that was completed in 2000. This led to substantial volumes of investments in the sector which created jobs, increased productivity and reduced poverty in the country.

Currently, the sector plays a major role in the Zambian economy's external position, accounting for nearly 70%-80% of Zambia's exports. Going forward, the government plans to put in place new policies and review existing ones to ensure safe and healthy mining regulations and build the capacity of relevant institutions. The vision aims at creating a well-organised sector for sustainable wealth creation.

To help the Zambian government, the Bank Group approved 13 operations with a cumulative lending amount of UA 193.35 million. Broadly, these projects have helped the Zambian mining sector to improve its productivity and the processing of copper.

# Bank Group Strategy & Ongoing Activities in Zambia

The Bank's current support is guided by its Medium Term Strategy developed within the context of the 2007 – 2010 Joint Assistant Strategy for Zambia. The two pillars of the strategy are: Support to Infrastructure Development; and Support to Good Governance through the provision of budget support.

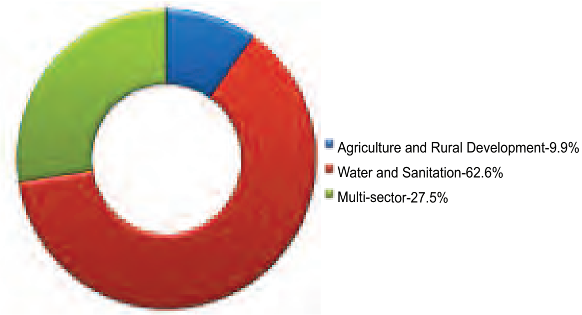
The pillars will also be complemented by economic and sector work in agriculture and regional integration studies, together with in-country advocacy in support of agreed international development goals in the social sectors. The Bank Group will support private sector operations in key sectors that have been identified by the government as major drivers of its economic diversification program, particularly operations in the manufacturing, tourism, construction and the financial sectors.

**Recently approved and on-going operations in Zambia**

| Project Name | Sector | Approval date | Amount in UA million |
|---|---|---|---|
| Lake Tanganyika Integrated Regional Management | Agricultural and Rural Development | May, 2005 | 3.26 |
| Small Scale Irrigation Project | Agricultural and Rural Development | February, 2001 | 6.05 |
| Africa Food Crisis Response for Zambia | Agricultural and Rural Development | | 2.12 |
| Line of Credit to Investrust PLC | Finance | September, 2008 | 2.24 |
| Line of Credit to Zanaco Bank Ltd | Finance | September, 2008 | 6.41 |
| Poverty Reduction Budget Support III (PRSB III) | Multi-sector | June, 2010 | 31.9 |
| Community Water and Management improvement Project for traditional Farmers in Mkushi, Kapiri Mposhi, Masaiti and Chingola District | Water and Sanitation | April, 2010 | 0.61 |
| Nkana Water Supply and Sanitation Program | Water and Sanitation | November, 2008 | 35 |
| National Rural Water and Sanitation Program | Water and Sanitation | November, 2006 | 15.0 |
| Central Province Eight Centres Water Supply | Water and Sanitation | April, 2004 | 22.03 |
| FAPA TA Grants | Private | April, 2010 | 1.33 |

The current portfolio consists of 7 public sector projects, 1 NGO project, and 3 private sector operations with a commitment of UA 115.36 million, UA 0.61 million and UA 9.89 million, respectively. Sector interventions include water and sanitation, agriculture, multi-sector operations and private sector operations. The water and sanitation program involves upgrading, rehabilitation, expansion, and new construction, covering both rural and urban areas. At the national level, agriculture is mainly carried out through irrigation. The Bank Group has also invested in private sector operations, providing mainly lines of credit to support the country's Small and Medium Enterprises (SMEs).

**Structure of the current portfolio by sector in Zambia**




Key operations are in the water and sanitation sector and multi-sector operations. Major features and outcomes of the two selected activities are summarised in the following section: the Nkana Water Supply and Sanitation Program and the Poverty Reduction Budget Support III.

Nkana Water Supply and Sanitation Program (NWS): The Zambian government recognizes that one of the major bottlenecks in both sector reforms and the development of water and sanitation services in Zambia's urban areas is the very old infrastructure inherited by new sector institutions. It has therefore embarked on programs to rehabilitate and upgrade this infrastructure in order to reduce the losses and to be able to meet current demand before full expansion can be undertaken.

The Nkana Water Supply and Sanitation project is one of the several ongoing developments included in the national program. The project's specific objective is to improve access to adequate water supply and sanitation services in Kitwe, Kalulushi and Chambishi.

The project components include: Water supply works, including the rehabilitation and extension of existing water treatment plants and distribution system; sewerage works, including the rehabilitation of existing sanitation facilities; sanitation and hygiene education; institutional support to NWS; and the provision of project management.

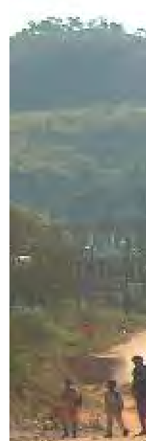
The project has led to an increase in the proportion of residents of the three urban centres benefiting from improved water supply services; an increase in the number of people in the three urban centres benefiting from improved sanitation facilities; a reduction in the incidence of water-borne diseases; and improvements in the management of water and sanitation services.

Poverty Reduction Budget Support III (PRBS III): Zambia's economy grew by 6.3% in 2009 and is projected to grow by 5.5% in 2010. According to the International Monetary Fund Article IV Consultation staff report of December 2009, the overall fiscal balance, including grants, widened to 2.5% of GDP in 2009 from 2.2% in 2008. Domestic revenues as a share of GDP declined from 18.6% of GDP in 2008 to 15.7 % of GDP in 2009. A reduction of 26.4% in trade-related taxes due to the global economic crisis resulted in a fall in revenues. The expenditure out-turns for 2009 is 8.3% lower than the budget mainly because of a decline in projected revenue by 13.2% from the original budget. In 2010, the overall balance, excluding grants, is projected at 5.9% of GDP, 0.6% of which will be external financing.

The overall goal of this operation is to improve financial governance through efficient public financial management, fight corruption and enhance the business environment by simplifying business licenses and shortening the time for cross-border trade.

The program has 2 components, namely: improving financial governance; and enhancing the business environment.

The project aims at having the following outcomes: enhancing public financial management through credible budget management; reducing perceived corruption; reducing business licensing cost; and reducing time required to import and export across borders.



# Zimbabwe

| | |
|---|---|
| Membership year | 1980 |
| Start of lending operations | 1982 |
| Number of Bank Group operations approved from 1967-2010 | 45 |
| Number of ADB operations approved from 1967-2010 | 27 |
| Number of ADF operations approved from 1974-2010 | 16 |
| Number of Other Approvals | 2 |
| Cumulative Bank Group Approvals in UA million from 1967-2010 | 732.82 |
| Subscribed capital (%) as of December 31, 2010 | 2.064 |
| Total voting power (%) as of December 31, 2010 | 2.050 |
| Source of Finance for Bank Group's ongoing activities | |
| Fragile States Facility (FSF) in US$ million | 7.77 |
| African Water Facility (AWF) in Euro million | 2.00 |
| MIC Facility Fund in US$ million | 0.77 |
| ADF grant for Statistical Capacity Building in US$ million | 0.30 |
| Special Relief Fund (SRF) in US$ million | 3.00 |
| Total amount of newly approved operations in UA million | 0.65 |

# Presenting the Republic of Zimbabwe

The Republic of Zimbabwe is a landlocked country located in southern Africa. It is bordered by South Africa to the south, Botswana to the southwest, Zambia to the northwest and Mozambique to the east.

The government's near- and medium-term strategies to institute a number of reforms and actions to jump-start economic recovery are contained in the STERP and the Medium Term Plan (2010-2015) currently under preparation. The priorities of the STERP include political and economic governance reforms; the stabilization and recovery of the economy; social protection, including the provision of food assistance, the revitalization of education and health services; and the re-establishment of relations with international development agencies.

In response to the more stable and liberalized economic environment, real GDP is estimated to have grown by 4.7% in 2009, compared with a decline of about 14% in 2008. It is underpinned by the restoration of business confidence as reflected by the gradual improvement of capacity utilization and anticipated recovery in agriculture and manufacturing. Since the beginning of 2009, capacity utilization in manufacturing has risen from less than 10% in 2008 to a range of 30-50% and some mines have reopened, taking advantage of the removal of forced foreign exchange surrender requirements and full retention of market proceeds.

The 2008 hyperinflation has been brought to a halt, reflecting the dollarization of the economy and the end of monetary injections. From January to July 2010, inflation averaged at 2.6% and it is expected to remain stable within single digits in 2010, reflecting a continuation of these favourable developments.

Zimbabwe has experienced rapid increases in poverty and declines in survival indicators. Due to the economic and social crisis that have hit the country in recent years, the prospects of achieving most of the Millennium Development Goals (MDGs) remain weak. The poverty rate increased from 42% in 1995 to 63% in 2003 and it is currently estimated to be over 70%. Inequality is very high, with the Gini coefficient estimated at 57% in 2003, one of the highest in the world. Some estimates of unemployment put it at 80%. An estimated 1.2 million people, close to 10% of the population, live with HIV/AIDS. These factors have contributed to the deterioration in Zimbabwe's human development indicators, as demonstrated by the UN Human Development Index.

Declining food production, diminishing economic opportunities, and deteriorating public services have created a large population of vulnerable people who are unable to sustain livelihoods without assistance. The World Food Program (WFP) has been providing food support for up to 50% of Zimbabweans, mainly in rural – but also in urban – areas beginning in 2002. Early in 2009, about 5 million people in Zimbabwe (equivalent to about 40% of the population) benefited from food assistance.

# Statement by Mr. Mahamudu Bawumia
# **Zimbabwe Country Office Resident Representative**

Following the signing of the Global Political Agreement in September 2008, the Government of National Unity (GNU) was formed in February 2009.The African Development Bank (AfDB) has since stepped up its engagement with Zimbabwe. This followed the request by Zimbabwe's GNU, with the backing of Southern African Development Community (SADC), for AfDB, as the premier African multilateral development institution, to take a lead role in assisting Zimbabwe in its re-engagement with the international community. As a result, AfDB moved quickly to put in place an Extended Mission in Zimbabwe in March 2009 to dialogue with the GNU, development partners, and civil society as well as provide analytical, policy and financial support to assist the country's economic recovery. This has enabled the Bank exercise leadership in the reengagement process with both the Inclusive Government and the donor community.

The AfDB working in partnership with the GNU and the donor community has been able to deliver in three important areas within a relatively short period of time:

- The Bank, through its Fragile States Facility has provided capacity building support to the Government for the resuscitation or critical activities such as Public Financial Management (PFM), statistics and debt management. It has been instrumental in organizing high level debt fora to help build consensus among various stakeholders o the way forward for addressing the country's debt.

- The Bank, working together with other donors and the GNU has supported the establishment of a Multi-Donor Trust Fund (Zim-Fund) for Zimbabwe to contribute to the recovery and development efforts. The Bank is the administrator of the Fund. Bilateral donors have contributed over US$ 60 million to the Fund and the Project Oversight Committee (POC) of the Zim-Fund has endorsed two projects: Water and Sanitation (US$ 27.8 million; and Power and Environment (US$ 30 million).

- In the infrastructure sector, collaborative analytical work has included formulation of the Bank's "Infrastructure and Growth Flagship Report" which was central to the 'Forum on Infrastructure Regeneration' that was held in early 2011 with the government and potential private investors.

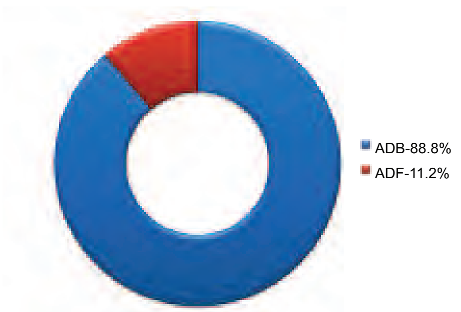
Zimbabwe's economic and political situation remains fragile with sector weaknesses fostering underlying vulnerabilities. Limited inflows of both private and development funding continue to hamper the country's move from a generalized humanitarian crisis to early recovery. While the Bank recognises that key challenges remain to fully re-engage with Zimbabwe, it is committed to persevere because the opportunities thereby presented for Zimbabwe and the Southern Africa region are enormous.

AfDB has therefore opened a country office, the Zimbabwe Field Office (ZWFO) to support the re-engagement process, strengthen its dialogue and assist the Inclusive Government to sustainably attain its key priorities (including uninterrupted power supply, clean water supply, improved sanitation services, reconstruction and rehabilitation of road infrastructure, improving health and education, employment creation, etc.) as captured in the Government's 2010-2012 Budget Framework. ZWFO will continue to partner the Government of Zimbabwe and development partners in strengthening dialogue, cooperation, analysis, the policy framework and mobilizing the resources required to support Zimbabwe's economic recovery.

# Overview of Bank Group Operations in Zimbabwe

Cooperation between Zimbabwe and the Bank Group dates back to June 1980. Since then, Bank Group interventions stand at 45 operations for a cumulative amount of UA 732.82 million. The distribution of these operations by window is as follows: 88.8% from the ADB window; and 11.7% is from the ADF window.

**Cumulative Bank Group Loan and Grant Approvals by Institution in Zimbabwe (1967-2010)**

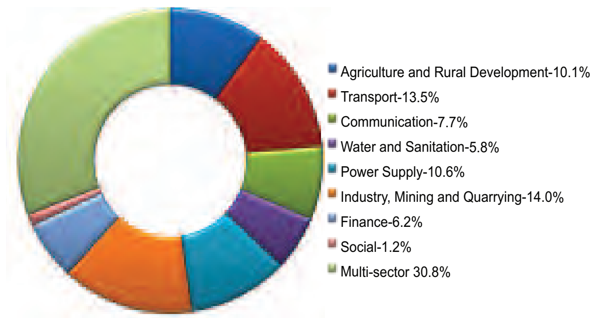



Source: AfDB Statistics Department, Economic and Social Statistics Division

Historically, Bank Group operations in Zimbabwe indicate that the infrastructure sector (transport, communication, water and sanitation and power supply) comes first with 37.6% of total approvals, followed by multi-sector operations (30.8%), industry, mining and quarrying (14%), agriculture and rural development (10.1%), finance (6.2%) and the social (1.2%) sectors.

Zimbabwe's economic and social situation deteriorated significantly over the last ten years, culminating in a severe humanitarian crisis in 2008; including widespread food shortages and a cholera epidemic. During the 1999-2008 period, real GDP was estimated to have fallen by about one-half. Historically, high inflation, fuelled mainly by the monetization of large fiscal deficits and quasi-fiscal activities by the Reserve Bank of Zimbabwe, spiralled out of control and reached unprecedented levels in 2008.

**Cumulative Bank Group Loan and Grant Approvals by Sector in Zimbabwe (1967-2010)**




Source: AfDB Statistics Department, Economic and Social Statistics Division

The sharp contraction in economic activity and hyperinflationary conditions rendered the Zimbabwean currency worthless, leading to a serious balance of payments crisis and the accumulation of arrears to external creditors.

In 2000, the AfDB imposed sanctions on Zimbabwe due to arrears accumulation and suspended operational activities in the country, except for humanitarian and emergency assistance.

The recent formation of an Inclusive Government (IG) in February 2009 has provided the impetus for early action to arrest the country's economic decline. Significant steps have been taken to restore macro-economic stability, free markets from controls, and implement structural reforms to improve incentives and economic governance. These actions have paved the way for a reversal of past policies and laid the foundation for economic and social recovery. The policy direction reversal has been welcomed by the international community, including International Financial Institutions (IFIs). Dialogue between the IG and development partners to support limited operations, including support for emergency rehabilitation in key sectors and for humanitarian assistance has resumed.

# Bank Group Strategy & Ongoing Activities in Zimbabwe

In its push for international re-engagement, one of the key objectives of the Zimbabwean government is to mobilize support for economic recovery and sustained private-sector-led growth. The vision of private sector-led development is embodied in the government's Short-Term Emergency Recovery Program and the Medium-Term Plan under preparation. The current drafts provide a detailed outline of the proposed program for the six-year period (2010-2015). It provides a framework for discussions on assistance in the near- and medium-term that responds to the priorities set forth by the government.

The Bank Group's re-engagement with Zimbabwe began in 2009 with an allocation of Euro 2 million from the African Water Facility (AWF) to rehabilitate water supply and sanitation systems in the Municipality of Chitungwiza which was one of the epicentres of the cholera outbreak.

An additional US$ 2 million from the AfDB Special Relief Fund was also allocated for the purchase and distribution of agricultural inputs to vulnerable smallholder farmers and interventions to prevent and contain the cholera epidemic.

The Bank Group has made available a total of US$6 million from the Fragile States Facility (FSF) for capacity building operations in Zimbabwe. Technical support is focused on capacity building in areas of public finance management (PFM), economic management, including the provision of urgently needed computer equipment and training.

A pre-condition for the transition to full normalization of relations would be an agreement by Zimbabwe on an arrears clearance process with International Financial Institutions. In the absence of such an agreement, support from the AfDB continues to be limited to the use of the Pillar III window of the FSF (Targeted Support Window) and further access to the African Water Facility (AWF) and the Special Relief Fund (SRF). The clearance of arrears owed to the AfDB could also release funds for longer term project lending. Subject to resource availability, the AfDB can, in principle, assume large shares of the arrears clearance – under the FSF Arrears Clearance Window for re-engaging countries. The shares would depend on an assessment of Zimbabwe's payment capacity (and debt sustainability indicators), and the pari pasu treatment requirement expected by the AfDB.

The Bank Group will adopt a three-pronged approach in its strategy for full re-engagement with Zimbabwe. It will: Continue to provide technical and capacity building support with financing from the FSF to lay foundations for an early start-up of priority operations that will rehabilitate critical parts of the country's basic infrastructure; and Maintain cooperation with the International Monetary Fund and the World Bank to create the conditions necessary for the government to move forward on the clearance of its arrears with IFIs.

In July 2010, The Bank Group's Board of Directors approved the opening of a country office in Harare. This will enable the Bank to effectively continue to play a leading role in Zimbabwe's re-engagement with the international community, oversee the implementation of its increased level of intervention in the country, interact closely with resident donors and manage the Multi-Donor Trust Fund to support the country's development programs.

# Chapter 4

## Bank Activities to Foster Regional Integration

# Regional Cooperation and Integration in Southern Africa

Fostering regional integration is a core mandate of the Bank as reflected in its 2008-2012 Medium Term Strategy (MTS); the Strategic and Operational Framework for Regional Operations (ROs); and the 2009-2012 the Regional Integration Strategy (RIS). The goal of the Southern Africa regional integration agenda is to create a fully integrated and internationally competitive region with the overarching objective of poverty reduction.

Two major regional economic communities (RECs), namely; the Southern African Economic Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) champion the regional integration agenda in the region. The COMESA-EAC-SADC (CES) Tripartite Arrangement launched in October 2008 represents a further milestone in the regional integration agenda.

The Bank helped to finance the roadmap study on the establishment of the CES Tripartite Free Trade Agreement. The roadmap envisages the agreement establishing the CES Tripartite FTA to come into force on January 1, 2012, while an autonomous CES Tripartite FTA Secretariat is expected be in place by January 2013. The Bank will explore further areas of support for the tripartite arrangement, for example, capacity support for the CES Tripartite FTA Secretariat and the design of a Joint Strategic Framework.

**The Bank's Regional Integration Strategy Paper (RISP) for Southern Africa**

The recently approved RISP for Southern Africa draws on the analyses and conclusions of the RISP Flagship Report and is underpinned by the COMESA-EAC-SADC (CES) Tripartite Agreement and the SADC and COMESA strategic frameworks.

The strategic focus of the RISP will be on two main pillars, namely; regional infrastructure and capacity building and it also includes Regional Public Goods (RPGs), macroeconomic convergence, and knowledge management and networking. The development of corridors will be the overarching approach of the Southern Africa RISP in sustaining economic growth and social development through intra-regional trade, greater legal, institutional and regulatory harmonization and lower production cost structures. Regarding regional infrastructure, the Bank will focus on transport (roads and railways), energy generation (hydroelectricity and renewable sources of energy) and ICT, giving priority to the corridor approach. In addition, the Bank will take leadership in promoting environmentally- and climate-friendly infrastructure programmes in order to reduce carbon emissions.

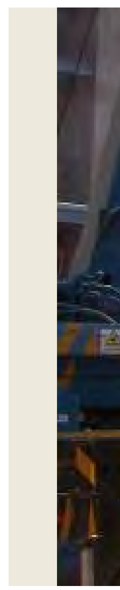
The RISP is aligned to the CES Tripartite Arrangement, launched in 2008, which defines the vision and regional strategic objectives of Southern and East Africa. This arrangement covers 26 countries, constituting 50% of the continental population. This is a bold initiative aimed at promoting inter-RECs collaboration and addresses the challenge of multiple memberships.

The key provisions of the tripartite agreement are the launching of the CES Tripartite Free Trade Area (FTA) by 2012; the development of joint infrastructure programs, financing and implementation; free movement of business, persons, labour and services across the region; and close collaboration in preparing common regional positions and strategies in multilateral and international trade negotiations. The SADC and COMESA strategic frameworks, both of which focus on poverty reduction, are reflective of the regional vision and strategic objective. By supporting the arrangement, the RISP will be contributing to the realization of the continental vision.

The development of corridors will be the overarching approach of the Southern Africa RISP in sustaining economic growth and social development through intra-regional trade, greater legal, institutional and regulatory harmonization and lower production cost structures. In that respect, the Bank will focus on infrastructure programs in the areas of roads, railway lines and hydro-electricity connectivity and will promote the development of corridors. Railway lines produce less carbon emissions; have a comparative advantage in handling bulky and long-haul transportation of goods in the southern region's prominent extractives industries. Hydropower is clean energy with a huge potential and competitive advantage in the region.

In the transport sector, the Bank Group has currently approved the Nacala Corridor Phase II (NCRP) in Zambia and other similar initiatives. These projects will promote economic growth, regional integration, trade and the overall region's competitiveness within the Southern African Development Community (SADC) through the provision of a reliable and efficient transport infrastructure. The NCRP covers approximately 1,033km of roads in Zambia, Malawi and Mozambique and two border posts. Furthermore, the Bank Group is also partnering with the private sector to attract private ideas and financing, especially through public-private partnership arrangements to enhance regional integration through regional infrastructure development. For example, the AfDB has approved 2 multinational operations worth UA 51.09 million to help provide finances to the private sector so as to increase its participation in infrastructure projects in region.

Going forward, the Bank Group is steadily increasing its regional envelope, with 20% of ADF-12 resources earmarked for regional operations, most of which will be conducted in partnership with regional economic communities.



# Private Sector Financing of Regional Infrastructure in Southern Africa

Inadequate infrastructure is a constraint on Africa's productive capacity, trade capabilities, and overall economic development has been well documented in many studies. For instance, within SADC, it is estimated that imports and exports are 40% more expensive because of poor or unreliable infrastructure, compared to just 4% more expensive in Europe.

The southern region's infrastructural needs are not as drastic as in other regions of the continent. The African Infrastructure Country Diagnostic (AICD), a World Bank initiative, has completed a detailed diagnostic of the region's infrastructural needs and estimates that the cost of meeting the infrastructural backlog in roads, power, and ICT will be US$1.68 billion per year for ten years. This includes capital expenditure and maintenance costs.

The AICD also predicts that relatively to other regions, the southern region is better placed to meet a large part of these spending needs from public sources. However, public sources will not cover the entire funding gap, especially in countries with greater needs and a low fiscal base like Mozambique, Zambia, Namibia, and Madagascar. Here donor funds will be needed along with private financing to fill the funding gap.

The AfDB will continue to play an important role in opening up private flows, both in its role as catalytic financier and as a regional capacity builder.

Private flows to infrastructure projects in the Southern African region have grown since the late 1990s. However, they remain small in comparison to non-private flows at roughly 25% of total expenditure. The private sector invested roughly $33.5 billion in energy, ICT, and transport projects between 1994 and 2008 .

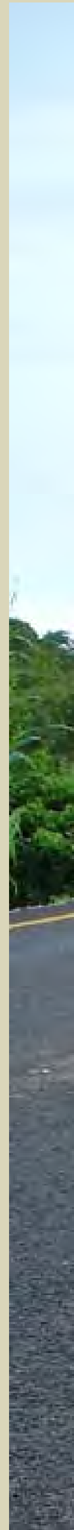
# Bank Group & Regional Economic Communities in Southern Africa

> The Bank Group has provided support to COMESA & SADC for multinational and national projects, as well as policy-based operations that promote regional integration.

Cooperation Agreements between the Bank Group and the Common Market for Eastern and Southern African States (COMESA) and the Southern African Development Community (SADC) were signed in 1999 and 2004, respectively. Bank Group support to these regional institutions takes place within the framework of both Bank-wide and sub-region specific regional integration strategies as well as the Tripartite Agreement between COMESA, SADC and East African Community (EAC).

In line with the agreements and the AfDB's regional integration strategy, the Bank Group provides financial and technical support to these regional bodies for multinational and national projects, as well as policy-based operations that promote regional integration in: trade and industry; infrastructure and services; investment promotion, monetary harmonization and development finance; food security, land tenure and agriculture; human resource development, especially, private sector development; and natural resources management.

In addition, these agreements have defined the implementation mechanisms to be used by two parties. These mechanisms include undertaking joint missions; engaging in dialogue; organizing and conducting research; organizing conferences, symposia, seminars and other meetings; collaborating in the training of professional and technical personnel; participating in the mobilization of resources and financing for development projects; and conducting other activities, as may be agreed upon, between the Bank and the other party.



# Bank Group Support to COMESA

Since 2001, the Bank Group has supported the COMESA Member States procurement reform program, the promotion of agricultural marketing and the establishment of Regional Multidisciplinary Centre of Excellence for capacity building and knowledge improvement in regional integration.

Prior to COMESA's establishment, the Bank Group had helped the Preferential Trade Area for Eastern and Southern Africa, its predecessor, in implementing several regional integration projects and programs for a total of US$ 4.6 million. These projects and programs included: (i) a roundtable forum for Women in Business; (ii) a feasibility study on the interconnectivity of telecommunications network by satellite and terrestrial links, and the harmonization of tariff structures in telecommunications; (iii) a study on fisheries development; and (iv) a study on irrigation projects. In addition, the Bank Group co-financed a cross-border initiative, whose total cost amounted to US$ 4.6 million.

Bank Group ongoing operations include: (i) Enhancing Procurement Reforms and Capacity and (ii) Agricultural Marketing Promotion and Regional Integration Projects in the region.

**The Common Market for Eastern and Southern Africa States**

COMESA was founded in 1994 to replace the Preferential Trade Area (PTA) for Eastern and Southern Africa, created in 1981 as one of the building blocks in the establishment of the African Economic Community.

COMESA presently consists of 19 Member States, which are Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

COMESA's establishment created a large integrated market which is enabling Member States to share the region's common heritage, thereby allowing for greater social and economic cooperation, with the ultimate goal of forming an economic community. COMESA Member States launched a Free Trade Area (FTA) in 2000 aimed at enhancing regional trade. FTA's main aim is to ensure the free movement of goods and services produced within COMESA, and the removal of non-tariff barriers. This would provide a stronger integrated market which would be able to attract greater investment in a more effective manner than the smaller domestic markets.

# Profiles of Bank Group newly approved and ongoing operations with the COMESA

| Project/Program, objectives, expected outcomes and Bank financing |
|---|
| **COMESA: Enhancing Procurement Reforms & Capacity**<br><br>**Objective**: Enhancing public procurement systems of COMESA member states by modernizing and harmonizing laws, regulations, and procedures, and by strengthening the countries' capacity to manage modern public procurement systems. The project focuses on enhancing procurement reforms, capacity building, upgrading the procurement information system and project management.<br><br>**Expected outcomes:** Public and private sectors that are fully aware of the principles and workings of the national and regional public procurement systems; national procurement systems that are consistent with the COMESA procurement Directive managed by skilled procurement experts; procurement training systems that are available in the region; enhanced IT and human capacity for collection and dissemination of procurement information at national and COMESA levels.<br><br>**Bank financing:** ADF Grant of UA 5.66 million. |
| **Agricultural Marketing Promotion and Regional Integration Project**<br><br>**Objective**: to help COMESA Member States address the issues of food, agricultural marketing information, sanitary and phyto-sanitary conditions which pose major challenges to member states. Addressing these issues will enhance both intra-and-extra-COMESA trade in agriculture.<br><br>**Expected outcomes:** (i) improved agricultural marketing information and agribusiness opportunities in COMESA; (ii) strengthened agricultural marketing institutions in COMESA member states; (iii) improved and harmonized sanitary and phyto-sanitary measures and food safety standards in COMESA; (iv) strengthened sanitary and phyto-sanitary institutions in COMESA member states; (v) increased gender impact in the sense that at least 30% of all trainees and workshop participants would be eligible and qualified women.<br><br>**Bank financing:** ADF Grant of 3.74 million. |

# Bank Group Support to SADC

To promote regional integration in Southern Africa, the Bank prepared the first Regional Assistance Strategy Paper (RASP) focusing on SADC . The RASP served as the main instrument for delivering the Bank's regional support to Southern Africa during the 2004-2008 period. In addition to the RASP, the Bank also has a memorandum of understanding with SADC, covering a wide range of areas of cooperation. In implementing the RASP, the Bank approved 8 projects for SADC, amounting to UA 62.83 million, comprising studies, investment projects and capacity building activities.

**The Southern Africa Development Community**

The SADC is an inter-governmental organization headquartered in Gaborone, Botswana. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 15 southern African states.

Together, the region has a population of 160.5 million people and a combined GDP of US$429.2 billion in 2009 prices. The region is therefore an important market, which potentially offers opportunities for growth and poverty reduction in member countries.

SADC presently consists of 15 Member States which are: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe, South Africa, Seychelles and Madagascar (currently suspended). Out of the 15 member countries, 5 are classified as Middle Income Countries (MICs). These are Namibia, South Africa, Swaziland, Botswana, Mauritius and Seychelles.

# Profiles of Bank Group newly approved and ongoing operations with SADC

**Project/Program, objectives, expected outcomes and Bank financing**

**SADC-Support for the Control of Communicable Diseases (HIV/AIDS, Tuberculosis and Malaria)**

**Objective:** Contributing to regional integration through the harmonized control of communicable diseases (HIV/AIDS, Tuberculosis, and malaria). The project is aimed at building the capacity of the SADC Secretariat to harmonize regional communicable disease control efforts. It also seeks to support the implementation of harmonized policy protocols and guidelines for preventive care and the treatment of communicable diseases in Member States.

**Expected outcomes:** Decline in morbidity and mortality due to HIV/AIDS, tuberculosis, and malaria in the SADC region. By 2010, reduce HIV prevalence among women aged 15-24 by 1%; incidence of tuberculosis reduced by 20%; malaria mortality reduced by 20%.

**Bank financing:** ADF Grant of UA 20 million.

**SADC-Capacity Building for Open & Distance Learning in the SADC Region**

**Objective:** Contributing to the development and deployment of effective and harmonized open and distance learning (ODL) and promoting regional integration in the SADC region. The project comprises ODL regional policy development and strategic planning, as well as capacity building for ODL.

**Expected outcomes:** Enhancing SADC's capacity and motivation in designing and implementing strategic regional ODL interventions.

**Bank financing:** ADF Grant of UA 15 million.

**Zambia-North-South Transport Corridor Improvement Study**

**Objective:** Prepare economic feasibility, engineering designs, and tender documents for the Kazungula Bridge over the Zambezi River and other key infrastructure facilities along the SADC North- South Corridor within Botswana and Zambia.

**Expected Outcomes:** Mobilization of required financial resources to implement the Kazungula bridge and other corridor improvements; Formulation and implementation of trade and transportation facilitation programs along with attendant infrastructure components.

**Bank financing:** ADF Grant of UA 2.05 million.

**SADC-Shared Watercourses for Buzi, Save & Ruvuma River Basins**

**Objective:** Ensure a sustainable framework for integrated planning and management of shared water resources in the Buzi, Ruvuma, and Save River Basins to develop, support, and improve the livelihood of local communities. The project focuses on i) the development of River Basin Monographs and Strategies; ii) enhanced knowledge and information support system; iii) Community basin management; iv) project management, capacity building, and audit services.

**Expected Outcomes:** The establishment of an efficient framework in the 3 riparian countries for the joint management of the 3 river basins at the regional, national, and catchment levels; harmonized and improved national water policies and strategies based on sound integrated water resource management and regionally developed guidelines; enhanced capacity from a river-basin-wide perspective to support the development, management and protection of Basin water resources in an equitable, optimal, integrated and sustainable manner; implementation of community basin management sub-projects.

**Bank financing:** ADF Grant of UA 9.38 million.

**Strengthening Institutions for Risk Management of Transboundary Animal Disease (TADs) in the SADC Region (Angola, Malawi, Mozambique, Tanzania, Zambia)**

**Objective:** Enhancing livestock as a tradable and consumable commodity by strengthening capacity to detect, identify, monitor, and survey TADs in the region. The project involves networking and information-sharing through enhanced information and communication technologies, capacity building, and institutional strengthening, aimed at reinforcing regional and national laboratory, epidemiological, and socio-economic capacity.

**Expected outcomes:** Improved veterinary services and disease surveillance.

**Bank financing:** ADF Grant of 13.71 million.

**SATA Backhaul Links Feasibility study**

**Objective:** To support operators engaged in the SATA Backhaul Project to carry out an Update Feasibility Study (technical, financial, economic and environmental feasibility) of all the cross-border missing links and the overall regional telecommunications system, and to prepare an implementation plan. The Study also aims at connecting all SATA Participating Members to sub-marine cable systems, including the Eastern African Submarine cable System (EASSy), using optical fibre technology. The Minimum Network represents SATA's aim to (i) complete the SADC Region Information Infrastructure (SRII) and (ii) link SRII to sub-marine systems such as EASSy. The cross-border links considered in this study include those of Angola, Botswana, Malawi, Mozambique, Swaziland, South Africa, Namibia, Zambia, Zimbabwe and Tanzania.

**Expected Outcomes:** The production of an Updated Feasibility Study report that will provide the basis for the implementation of missing links. This output will include an Environmental and Social Impacts Assessment Report covering each individual link.

**Bank financing:** Grant of UA 0.5 million.

# Profiles of Bank Group newly approved and ongoing multinational operations in Southern Africa

| Project/Program, objectives, expected outcomes and Bank financing |
|---|
| **New Dawn Satellite**<br><br>**Objective:** To build and launch a Pan-African satellite telecommunications system with the aim of developing infrastructure in Africa.<br><br>**Expected Outcomes:** (i) Provision of telecoms capacity required for the extension of cellular networks; (ii) provision of telecoms capacity to connect local ISPs to internet; (iii) connectivity of local businesses; and (iv) Pan-African TV broadcasting.<br><br>**Bank financing:** ADB Loan of UA 20.45 million |
| **Global Trade Liquidity Program (GLTP)**<br><br>**Objective:** promoting trade in Africa by financing eligible pools of African trade operations (trade operations originating from or terminating in an African country, or both) and developing the private sector.<br><br>**Expected Outcomes:** (i) Increase in trade transactions (6,000 transactions by 2011); (ii) mitigation of negative effects of the global crisis on Africa's prospects; and (iii) support to African government budgets.<br><br>**Bank financing:** ADB Loan of UA 322.12 million. |
| **Zambia-North-South Transport Corridor Improvement Study**<br><br>**Objective:** increasing private sector participation in infrastructure projects by leveraging EAIF's investments in Sub-Saharan Africa.<br><br>**Expected Outcomes:** (i) Increase in resources mobilized from the private sector for infrastructure development; (ii) US$ 1 billion of additional debt financing mobilized by 2012.<br><br>**Bank financing:** ADB Loan of UA 33.22 million |
| **Line of Credit to African Banking Corporation Holdings Ltd (ABCH) under Emergency Liquidity Facility**<br><br>**Objective:** To ensure bank liquidity for continued and adequate on-lending to SMEs and key sectors to boost trade and productive capacity.<br><br>**Expected Outcomes:** (i) Availability of affordable short- to-medium-term credit to SMEs in ABCH countries of operation; (ii) environmental and social project compliance; and (iii) increased profitability, productivity, and trading capacity of beneficiary entities.<br><br>**Bank financing:** ADB Loan of UA 18.87 million |

**Equity Investment in Agri-Vie Fund**

**Objective:** To expand SMEs operating in the agribusiness sector across Africa in order to increase the sector's growth.

**Expected Outcomes:** (i) The establishment of commercially viable SMEs, (15 across Africa); (ii) enhanced food security; and (iii) job creation (7,500 jobs created for 15 investee companies).

**Bank financing:** ADB Loan of UA 9.74 million

**Investment in Evolution One En Commandite Partnership ("Evolution One")**

**Objective:** increasing private sector participation in clean technology, helping to catalyze carbon reduction strategies across the Southern African sub-region and creating jobs.

**Expected Outcomes:** (i) Increase in resources mobilized from the private sector for clean technology development and scale-up: ZAR 2 billion of overall project financing to be mobilized by 2014; and (ii) 1,000 jobs created in portfolio companies by 2014.

**Bank financing:** ADB Loan of UA 7.89 million.

**Equity Investment in African Infrastructure Investment Fund II (Mauritius)**

**Objective:** increasing private sector participation by investing in infrastructure projects such as airports, roads, power, telecommunications, railroads, ports, water and social infrastructures.

**Expected Outcomes:** (i) Increased private sector resources for infrastructure development and operation (final Fund size in overall project financing mobilized three times by 2017); (ii) minimum 20,000 jobs created and minimum 33 percent women employed.

**Bank financing:** ADB Loan of UA 18.87 million

**Nacala Road Corridor-Phase I – Loan to Mozambique and Malawi**

**Objective:** providing Mozambique with an improved road transportation linkage to the Nacala port (360km), improving transportation services along the corridor, improving accessibility for communities in the zone of influence to markets and social services, and contribute to poverty reduction.

**Expected Outcomes:** (i) Improved transportation services in the corridor; (ii) reduced travel times and transport costs; (iii) shorter turn-around time for international cargo and pavement protection from overloads; (iv) improved accessibility for communities to social services and markets; and (v) improved road safety.

**Bank financing:** ADB loan of UA 117.04 million

**The East African Sub-marine Cable System (EASSy)**

**Objective:** Promoting a competitive investment climate by providing the East and Southern African regions with high-speed capacity to support reliable telecommunications services at an affordable price.

**Expected Outcomes:** Significant reduction in cost of telecoms services for EASSy countries by avoiding the use of expensive third-party foreign satellite providers. Enhanced regional integration and cross-country trade. Increased interconnectivity and competition among sub-regional countries. Increased employment and entrepreneurship.

**Bank financing:** ADB Loan of UA 9.46 million

**The 8 Miles Fund**

**Objective:** Investing in market-leading businesses with growth potential and it has identified target sectors and countries for potential investments.

**Expected Outcomes:** Contribute to job-creation, income generation, poverty reduction and food security; (ii) Generate tax revenues of US$ 150 million (approx.) and, in some cases, earn foreign exchange through exports; (iii) Portfolio companies increase their market share, revenue base, earnings and exports; and (iv) Participating companies benefit from the introduction of international best practices, better quality products and stronger management systems.

**Bank financing:** ADB Loan of UA 33.9 million.

**New Africa Mining Fund II**

**Objective:** To make equity-related investments in a diversified mining portfolio across Africa. The project focuses on early to later stage junior and mid-tier exploration, mining and beneficiation activities in Africa, and investments into mine construction and production projects will be the exception with no investment in established major mining houses to be considered.

**Expected Outcomes:** (i) Increased investments into junior mining exploration activities.

**Bank financing:** ADB Loan of UA 16.9 million

**Other 3 Billion**

**Objective:** Constructing, launching and operating a constellation of 8 MEO satellites

**Expected Objectives:** Provide affordable high bandwidth, high quality capacity over emerging markets in Africa.

**Bank financing:** ADB Loan of UA 32.1 million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